Notice of 2016 annual meeting of shareholders

April 22, 2016

Management proxy circular

March 2, 2016

Established in July 2009, Capital Power Corporation is a growth-oriented North American independent power producer headquartered in Edmonton, Alberta. We develop, acquire, operate and optimize power generation from a variety of energy sources. We own more than 3,200 megawatts of power generation capacity at 18 facilities across North America and own an additional 371 megawatts of capacity through a power purchase arrangement.

Our shares are traded on the Toronto Stock Exchange under the symbol *CPX*. For five consecutive years, Capital Power has earned placement on Corporate Knights' "Best 50 Corporate Citizens in Canada" listing (2011 – 2015).

Visit our website for more information (www.capitalpower.com).

What’s inside

Letter to shareholders

March 2, 2016

Dear shareholder,

The board and management of Capital Power Corporation invite you to attend our 2016 annual meeting of shareholders (meeting) at 1:00 p.m. (Mountain Daylight Time) on April 22, 2016 at EPCOR Tower in Edmonton, Alberta.

Attached is the formal notice of the meeting and the management proxy circular, which explains the items of business that will be covered at the meeting and provides important information about voting and other matters to help you decide how to vote your shares.

You can attend the meeting and vote in person, or you can vote by proxy. Attending the meeting gives you an opportunity to meet the management team and members of the board of directors, hear first-hand about our performance and developments in 2015 and ask any questions.

If you can't attend the meeting, we'll have a live audio webcast on our website (www.capitalpower.com). We'll also post a transcript and archive the webcast on our website after the meeting.

If you have questions, you may contact our Investor Relations department at 1 (866) 896-4636 or investor@capitalpower.com.

We look forward to seeing you at the meeting, and please remember to vote.

Sincerely,

Donald Lowry
Chairman of the board

Brian Vaasjo
President and Chief Executive Officer

Notice of 2016 annual meeting of shareholders

You're invited to attend the 2016 annual meeting of shareholders of Capital Power Corporation:

When: Friday, April 22, 2016
1:00 p.m. Mountain Daylight Time

Where: EPCOR Tower, 8th Floor
10423 – 101st Street NW
Edmonton, Alberta

We'll cover the following items of business:

- receive our consolidated financial statements for the year ended December 31, 2015 and the auditors' report;
- elect directors;
- appoint the auditors with compensation to be fixed by the board on the recommendation of the audit committee;
- vote on our approach to executive compensation;
- approve an ordinary resolution to continue and amend and restate our Shareholder Rights Plan;
- approve a special resolution to amend our articles to remove the special voting shares from our authorized capital; and
- transact any other business.

The management proxy circular provides detailed information about the business of the meeting and the voting process.

You're entitled to vote at the meeting if you owned common shares of Capital Power Corporation at the close of business on March 11, 2016. You can vote by proxy or vote in person at the meeting.

Take some time to read the management proxy circular to learn more about the meeting, and please remember to vote.

By order of the board,

B. Kathryn Chisholm, Q.C.
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 2, 2016

Management proxy circular

This management proxy circular (circular) has been prepared to assist those shareholders who owned common shares of Capital Power at the close of business on March 11, 2016 (record date). As a shareholder of record, you're entitled to attend our 2016 annual meeting and vote your shares, in person or by proxy. You can still vote your shares if you can't attend the meeting. A live audio webcast of the meeting will be available on our website, and we'll post a transcript of the meeting and archive the webcast on our website after the meeting.

Management is soliciting your proxy for the meeting. We pay all costs for soliciting proxies.

We plan to begin mailing the notice-and-access notice for the circular and other meeting materials to shareholders of record on or about March 17, 2016. Shareholders may access an electronic copy of the circular on our website on or about March 17, 2016.

Information in this circular is as of March 2, 2016, unless otherwise indicated.

All dollar amounts are in Canadian dollars unless otherwise indicated.

In this document:

- *we*, *us*, *our* and *Capital Power* mean Capital Power Corporation
- *you* and *your* mean the shareholder or holder of our common shares
- *shares* or *common shares* mean common shares of Capital Power

Our principal and head office is in Edmonton, Alberta:

Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta
Canada T5H 0E9

We've decided to continue to use the notice-and-access model for delivering meeting materials to both our registered and beneficial shareholders. Registered shareholders still receive a form of proxy, and beneficial shareholders still receive a voting instruction form, allowing them to vote at the annual meeting, but receive a notice with information about how they can access copies of the circular electronically rather than receiving printed copies. This alternative means of delivery is more environmentally friendly because it will help reduce paper and printing and mailing costs. These documents will be available on SEDAR (www.sedar.com) and our website (www.capitalpower.com).

HOW TO OBTAIN PAPER COPIES OF THE MEETING MATERIALS

Registered and beneficial shareholders may request paper copies of the circular, at no cost to them, at any time up to one year from the date the circular was filed on SEDAR.

Requests by registered and beneficial shareholders may be made to our Investor Relations Department at any time prior to the meeting by dialing 1.866.896.4636 (within North America) or by e-mail at investor@capitalpower.com.

Requests by registered or beneficial shareholders to receive a paper copy of the circular in advance of the deadline for completing and returning proxies or voting instruction forms and the meeting date of April 22, 2016 must be received by April 7, 2016.

Please note that if you request a paper copy of the circular, you will not receive a new form of proxy or voting instruction form so you should retain the form sent to you in order to vote.

1. About the shareholder meeting

Voting

WHO CAN VOTE

The table below shows our authorized share capital and the number of shares outstanding as of the date of this circular:

Our share capital	Authorized #	# Outstanding
Common shares	unlimited	96,193,631
Special voting shares	unlimited	0
Special limited voting share	1	1
Preferred shares	unlimited, issued in series	19,000,000

You can vote if you owned common shares of Capital Power as of the close of business on March 11, 2016. Each common share entitles the owner to one vote.

As of the record date, there were no special voting shares of Capital Power outstanding. EPCOR previously held all of the then outstanding special voting shares that were issued in relation to the exchangeable units of Capital Power L.P. (exchangeable units). On April 2, 2015, EPCOR exchanged all of its remaining exchangeable units for common shares of Capital Power (the exchange). As a result of the exchange, all of EPCOR's special voting shares were automatically redeemed by Capital Power.

The voting process is different depending on whether you own your shares as a registered or non-registered (beneficial) shareholder (see page 6).

Special limited voting share
As of March 2, 2016, EPCOR owns the one special limited voting share outstanding. This share does not have voting rights in respect of this meeting.

Preferred shares
Holders of preferred shares only have voting rights if:

- it is required by law;
- it is to satisfy conditions attached to the class of shares; or
- we have not paid dividends for eight quarters and the shareholder meeting occurs during the period when the dividends are in arrears.

You can find more information about the rights, privileges and restrictions of our different classes of shares and the exchangeable units in our 2015 Annual Information Form (AIF).

HOW TO VOTE

You can vote by proxy, or by attending the meeting and voting in person. Voting by proxy means you're giving someone else (your proxyholder) the authority to vote for you at the meeting, and it's the easiest way to vote.

You can choose anyone to be your proxyholder. The person does not need to be a shareholder, but your shares will only be voted if your proxyholder attends the meeting and votes for you. Print the person's name in the space provided on the proxy form. If you vote by proxy but do not specify a proxyholder, the Capital Power representatives named on the proxy form will act as your proxyholder.

Your proxyholder must vote your shares according to your instructions. If you do not specify your voting instructions, your proxyholder can vote as they see fit. If you do not specify your voting instructions and the Capital Power representatives named on the proxy form are acting as your proxyholder, they will vote for each item of business.

If there are any changes to the items of business, or if any new items are proposed, your proxyholder has the authority to vote as they like. The Capital Power representatives will vote on any new or amended items using their best judgment.

Transfer agent and registrar
Computershare Trust Company of Canada (Computershare) is our transfer agent and registrar. Computershare receives, counts and tabulates the proxies on our behalf. They keep the votes confidential and only inform us of the voting results.

Registered shareholders
You're a registered shareholder if your shares are registered directly in your name with our registrar and transfer agent, Computershare.

Computershare has a list of all registered shareholders as of the record date. You can check the list at the meeting or at their office during regular business hours:
Computershare Trust Company of Canada
530 8th Avenue SW, Suite 600
Calgary, Alberta T2P 3S8

Vote by proxy
Online — go to www.investorvote.com and follow the instructions on screen. You'll need your control number, which appears at the bottom of your proxy form.

By phone — Call 1.866.732.8683 toll-free using a touch-tone phone, and follow the prompts in English or French. You'll need your control number, which appears at the bottom of your proxy form.

By mail — Follow the instructions on the proxy form, complete it, then sign and date it, and mail it in the envelope provided to:
Computershare Trust Company of Canada
Attention: Proxy Department
135 West Beaver Creek, PO Box 300
Richmond Hill, Ontario L4B 4R5

Computershare must receive your completed proxy form by 1 p.m. Mountain Daylight Time (MDT) on April 20, 2016 for your vote to be counted. If the meeting is adjourned, they must receive your completed proxy form at least 48 hours before the new meeting time. The Chair of the meeting can waive or extend the time limit for depositing proxies at his or her discretion without notice.

If your shares are registered in more than one name, everyone who is registered must sign the proxy form. If the shares are registered in a name that is not your own, or the name of a company, you must provide proof that you're authorized to sign the form. If you have questions about the required documents, contact Computershare at 1.800.564.6253.

Vote in person
If you plan to attend the meeting and vote in person, do not send us the proxy form. Register with a Computershare representative when you arrive at the meeting.

If you change your mind
If you've already sent a completed proxy form and want to revoke it, you can:
- submit another proxy form with a later date,
- send us a notice in writing, or
- give your written notice to the chairman of the meeting before the meeting begins.

Send your new completed proxy form to:
Computershare Trust Company of Canada
Attention: Proxy Department
135 West Beaver Creek, PO Box 300
Richmond Hill, Ontario L4B 4R5

Computershare must receive your revocation by **1 p.m. MDT** on **April 21, 2016** to revoke your previous proxy form. If the meeting is adjourned, they must receive your revocation at least 24 hours before the new meeting time.

Alternatively, you (or your authorized representative) can write to our Corporate Secretary explaining that you want to revoke your previous proxy form:
Corporate Secretary
Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta T5H 0E9

Our Corporate Secretary must receive your letter by **4 p.m. MDT** on **April 21, 2016**. If the meeting is adjourned, she must receive it by **4 p.m. MDT** on the last business day before the new meeting time.

Non-registered shareholders
You're a non-registered (beneficial) shareholder if your shares are held in an account in the name of a nominee (like a bank, securities broker, trustee, trust company or other institution). Most of our shareholders are non-registered shareholders.

If you are a non-registered shareholder, you can vote your shares through your nominee or in person at the meeting. You can also give someone else the authority to attend the meeting and vote for you (see above).

Vote through your nominee
Complete the voting instruction form sent to you and then sign and return it as indicated on the form. Your nominee will follow your voting instructions and vote on your behalf. You can also vote by phone or through the internet by following the instructions on your voting instruction form. Please ensure that you provide your voting instructions on or before the time noted in the voting instruction form.

Vote in person
If you plan to attend the meeting and vote in person, do not put your voting instructions on the voting instruction form. Instead, write your name in the space provided and then sign and return it, making sure you follow the instructions on the form carefully.

Your vote will only be counted if you attend the meeting and vote in person. Register with a Computershare representative when you arrive at the meeting.

If you change your mind
If you've already provided voting or proxyholder instructions, contact your nominee for information about how to revoke them.

Business of the meeting

Receive the financial statements

Our consolidated financial statements for the year ended December 31, 2015 and the auditors' report will be tabled at the annual meeting and are included in our 2015 annual report. Copies will be available at the meeting and on our website (www.capitalpower.com) and on SEDAR (www.sedar.com), or you can request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 - 101 Street, Edmonton, Alberta T5H 0E9.

Elect Directors

As a holder of common shares, you will vote on electing nine directors to the board.

Directors will serve until the next annual meeting, or until their successors are elected or appointed. The director profiles starting on page 13 give you detailed information about their skills and experience, their 2015 attendance record (if applicable), share ownership and membership on other public company boards.

Directors nominated by Capital Power

Nine nominated directors have been proposed by the Corporate Governance, Compensation and Nominating (CGC&N) Committee and approved by the board:

Donald Lowry
Albrecht Bellstedt
Doyle Beneby
Patrick Daniel
Jill Gardiner
Kelly Huntington
Philip Lachambre
Margaret Mulligan
Brian Vaasjo

Appoint the auditors

You'll vote on appointing our external auditors. The Audit Committee and the board propose that KPMG LLP (KPMG) be appointed as auditors and serve until the next annual meeting. The Audit Committee recommends KPMG's compensation to the board for its review and approval.

KPMG has been our auditor since our initial public offering in 2009. The table below shows the fees billed by KPMG for the fiscal years ended December 31, 2014 and 2015.

($ millions)	2015	2014
Audit fees Include audit and review of financial statements, services related to statutory and regulatory filings and providing comfort letters associated with securities documents	**$ 1.1**	**$ 1.0**
Audit-related fees Include assurance and related services that are not reported under audit fees	-	-
Tax fees Include reviewing tax returns, answering questions about tax audits, and tax planning	-	-
All other fees All other fees are fees for operational advisory and risk management services and non-securities legislative and regulatory compliance work	**$ 0.1**	-
Total	**$ 1.2**	**$ 1.0**

Vote on our approach to executive compensation
You'll vote on our approach to executive compensation (see Executive compensation beginning on page 38).

You'll vote ***for*** or ***against***:

RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in Capital Power's management proxy circular delivered before its 2016 annual meeting of shareholders.

About voting results

A majority of votes must be voted for any item of business to receive shareholder approval.

We report the voting results for each item of business within five days of the annual meeting, and file the report on SEDAR (www.sedar.com).

This is an advisory vote and the results are non-binding on the board. The board is fully responsible for its decisions about executive compensation, and will consider the results of the vote when reviewing compensation matters and making policy decisions in the future. We want the board to be accountable to you, so this is your opportunity to express your views on this important matter.

We held our first say-on-pay vote in 2012, and received over 99% approval from shareholders. We held our second say-on-pay vote in 2013, and received over 98% approval from our shareholders. We held our third say-on-pay vote in 2014, and received over 97% approval from our shareholders. We held our fourth say-on-pay vote in 2015, and received over 98% approval from our shareholders.

If we receive a significant number of votes against, the board will meet with shareholders to understand their concerns. The board will also release a summary of the significant comments they received, and explain any resulting changes to our executive compensation. The board will release the report as soon as practical, ideally within six months of the vote and before the release of next year's circular.

Continue and amend and restate our shareholder rights plan
You'll vote on continuing our shareholder rights plan (rights plan) and approving its amendment and restatement to give effect to certain minor amendments that are described in this circular. The rights plan will cease to have effect at the end of our 2016 annual meeting, unless re-approved by our shareholders.

The objective of a shareholder rights plan is to make sure, to the extent possible, shareholders are treated fairly if there is ever a take-over bid. Among other things, it gives the board time to assess the take-over bid and explore and develop alternatives that might improve shareholder value.

Management and the directors recommend that you vote for the continuation of the rights plan and approving its amendment and restatement. The named proxyholders will vote for the following resolution unless you instruct otherwise.

RESOLVED, as an ordinary resolution:

- *That the shareholder rights plan of Capital Power Corporation ("Capital Power") be continued and the Amended and Restated Shareholder Rights Plan Agreement to be made as of April 22, 2016 between Capital Power and Computershare Trust Company of Canada, as rights agent, which amends and restates the Shareholder Rights Plan Agreement dated effective November 20, 2012 and continues the rights thereunder, be and is ratified, confirmed and approved; and*
- *Any director or officer of Capital Power is authorized to do all things and execute all documents to give effect to this resolution.*

You can read more about the rights plan and the proposed amendments in About our shareholder rights plan (below) and within the rights plan itself. The rights plan agreement and other publicly filed documents are available on SEDAR (www.sedar.com).

The board reserves the right to change the terms of the rights plan or not proceed with it any time before our 2016 meeting if it is in the best interests of Capital Power and our shareholders.

About our shareholder rights plan
Why have a shareholder rights plan
Our shareholder rights plan is intended to make sure shareholders are treated fairly if there is a take-over bid for control of Capital Power. Our shareholder rights plan addresses the three primary concerns shareholders have about take-over bids in Canada: time, pressure to tender and unequal treatment.

- *Time* — By law, a take-over bid can expire after 35 days. The board feels that isn't long enough for shareholders to make an informed decision. The rights plan increases the minimum expiry period to 60 days, or such other longer minimum deposit period as may be prescribed by law. This gives shareholders more time to evaluate an offer and gives the board time to explore other options, like alternative bidders, an auction or a restructuring alternative.

- *Pressure to tender* — Shareholders may feel pressure to tender to a bid they feel is inadequate if they could be left with minority position shares that may be discounted or difficult to sell. This can be the case if a bidder simply wants to gain a controlling position (20% or more of the company's voting shares), not full ownership. The rights plan separates the shareholder's decision to tender shares from their decision about approving a take-over bid by requiring a bid to remain open for 10 business days after it's announced that more than 50% of the company's eligible shares have been deposited.
- *Unequal treatment — Shareholders may be treated unequally if a shareholder tries to gain control by buying shares above* market value from a small group of holders under a private agreement that excludes the other shareholders, or by acquiring shares slowly through a stock exchange, without paying fair value to shareholders for a controlling interest. The rights plan ensures equal treatment for all shareholders by triggering the provisions of the plan anytime someone attempts to acquire more than 20% of our voting shares.

Proposed Amendments

The following are the proposed amendments to the rights plan proposed to be amended and restated:

- *Expiration time* – The definition of Expiration Time and the requirement for shareholder approval to ratify the continued existence of the rights plan have been simplified to specify that requisite shareholder approval will be obtained to continue the rights plan at every third annual general meeting or else the rights plan will terminate.
- *Permitted lock-up agreement* – The definition of Permitted Lock Up Agreement has been amended to include Convertible Securities (as such term is defined in the rights plan) as securities of Capital Power that may be the subject of a Permitted Lock Up Agreement, in addition to the voting shares.
- *Permitted bid* – The definition of Permitted Bid has been amended to be the longer of 60 days or the minimum deposit period prescribed by law. Under current securities regulations, this will not result in any change to the length of a permitted bid. Due to certain announced changes to securities law governing take-over bids, we added this language to contemplate changes to the law.
- *Housekeeping changes* – We have made certain other amendments of a non-substantive, "housekeeping" nature, mainly to account for the fact that there are no longer any exchangeable units or special voting shares outstanding. These changes provide greater clarity and consistency.

Plan summary

An acquiring person is anyone (including their associates, affiliates or others acting jointly or in concert), other than a grandfathered person, who acquires beneficial ownership of 20% or more of our outstanding voting shares. Because EPCOR already beneficially owned 20% or more of our outstanding voting shares at November 20, 2012, it was considered a grandfathered person. Since November 20, 2012, EPCOR has ceased to own 20% of more of our outstanding voting shares and is no longer a grandfathered person. A grandfathered person will become an acquiring person if he or she acquires another 1% or more of the voting shares outstanding at the time they make the acquisition.

Flip in events — A flip in event is any transaction or event where an acquiring person acquires beneficial ownership of 20% or more of our outstanding voting shares that is not a permitted bid under the plan.

Permitted bids — A bidder can make a take-over bid without triggering a flip in event under the rights plan if the take-over bid qualifies as a permitted bid.

Generally speaking, to constitute a permitted bid, the bidder must begin the take-over bid by way of a circular addressed to all holders of our shares. In addition, the bid must remain open for at least 60 days and must provide that any tendered shares may be withdrawn until paid for. Once independent shareholders have deposited 50% of their shares under the take-over bid, a public announcement must be made and the bid must remain open for at least 10 business days following the announcement.

The rights plan allows a competing permitted bid to be made while a permitted bid is outstanding. It must meet all of the requirements of the permitted bid, except that it can expire on the same day as the permitted bid (as long as it has already been outstanding for at least 35 days, or such longer minimum period required under securities law).

Rights — One right will be issued and attached to each voting share outstanding at November 20, 2012, and will be issued for each new voting share issued after that date.

The rights initially trade with and are represented by certificates that represent the voting shares, including certificates issued before the rights plan came into effect. The rights will separate from the voting shares and become exercisable 10 trading days after the date of the public announcement that either 1) a flip-in event has occurred, or 2) a person intends to make a take-over bid that is not a permitted bid. Upon the occurrence of a flip-in event, any rights held by an acquiring person will become void when the rights separate, and rights held by all other holders will permit them to buy shares at a substantially discounted price. This will normally result in a great number of new shares being issued when the rights are exercised, thus making a take-over bid extremely expensive and less attractive.

Redemption — The board can redeem all of the outstanding rights for $0.00001 per right before or after separation but it needs the consent of a majority of independent shareholders.

When the rights plan doesn't apply — The board can waive the application of the rights plan to a flip-in event without the approval of shareholders or rights holders if the bid is made by way of a take-over bid circular sent to all shareholders. Otherwise, the board can only waive application of the rights plan to a flip-in event with the consent of a majority of independent shareholders.

Duties of the board of directors — Adopting the rights plan will not in any way lessen or affect the duty of the board to act honestly and in good faith, with a view to the best interests of Capital Power. If a take-over bid or similar offer is made, the board will continue to have the duty and power to take appropriate actions and make recommendations to shareholders.

TSX approval — The rights plan has been conditionally approved by the Toronto Stock Exchange. If our shareholders don't ratify it, the plan and all outstanding rights will terminate and will be void and have no further force and effect. If they do ratify it, the rights plan will expire at the end of our 2019 annual meeting of shareholders.

You can contact our Corporate Secretary if you would like to receive a copy of the rights plan or a blackline copy of our rights plan showing the proposed changes:

Corporate Secretary
Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta T5H 0E9
T. 780.392.5100

Vote to pass a special resolution to amend to our articles to remove the special voting shares from our authorized capital
You'll vote on a special resolution to amend our articles to remove the special voting shares from our authorized capital.

As of the record date, there were no special voting shares of Capital Power outstanding. EPCOR previously held all of the then outstanding special voting shares that were issued in relation to the exchangeable units of Capital Power L.P. On April 2, 2015, EPCOR exchanged all of its remaining exchangeable units of Capital Power L.P. for common shares of Capital Power (the exchange). As a result of the exchange, all of EPCOR's special voting shares were automatically redeemed by Capital Power.

The terms of the special voting shares are attached to this circular as Appendix C. The special voting shares were specifically tailored to be held by the holder of the exchangeable LP units of Capital Power L.P. and will not be issued to other shareholders. We do not intend to issue any additional special voting shares and we wish to remove them from our authorized capital.

Management and the directors recommend that you vote to approve the amendment of our articles to remove the special voting shares from our authorized capital. In order to be passed, not less than two thirds of the votes cast at the meeting must be voted in favour of the resolution. The named proxyholders will vote for the following resolution unless you instruct otherwise.

RESOLVED, as a special resolution:

- *That the articles of Capital Power Corporation ("Capital Power") be amended to remove the Special Voting Shares and the rights, privileges, restrictions and conditions attached thereto from the Articles of Capital Power, and to remove all references to such shares from the Articles of Capital Power, such that Capital Power will be authorized to issue an unlimited number of common shares, one special limited voting share and an unlimited number of preferred shares, issuable in series, the terms of each series to be determined by the board of directors in its discretion (including such series already created by the board of directors), is hereby approved; and*
- *Any director or officer of Capital Power is authorized to do all things and execute all documents to give effect to this resolution.*

Transact other business
You'll also vote on any other items of business that may properly be brought before the meeting. We're not aware of any other matters that may be brought before the meeting.

About the nominated directors

Our articles state that the board must have between three and 12 directors. The board has nominated nine directors to be elected by holders of common shares.

The board has a strong mix of experience in corporate governance and the power generation industries in Canada and the United States. We believe that each nominated director is willing and able to serve on the board for a one-year term. If any of them is unable to serve, your proxyholder can vote for another nominated director unless you've indicated that your vote is to be withheld.

The board has determined that 8 of the 9 nominated directors (approximately 89%) are independent as defined by Canadian securities laws, meaning they do not have a material relationship with Capital Power that might reasonably be expected to interfere with their ability to make an independent judgment. Brian Vaasjo is not independent because he is our President and CEO.

OUR ADVANCE NOTICE BY-LAW

In 2013 we adopted an advance notice by-law, which was approved by shareholders at our 2013 annual meeting of shareholders.

The purpose of the by-law is to make sure all shareholders (including those participating by proxy) receive adequate notice and information about nominated directors, so that they can make informed voting decisions. It also helps ensure orderly and efficient shareholder meetings by providing a structured and transparent framework for nominating directors.

The by-law requires shareholders to give us advance notice about any directors they propose to nominate (including certain prescribed information about them) unless the nominations are made by:

- shareholder meeting requisition, or
- shareholder proposal under the Canada Business Corporations Act (in which case those rules govern)

Under the by-law, director nominees are not eligible to become elected directors of Capital Power unless they're nominated according to the provisions of the by-law.

Information about director nominees must include certain prescribed information. This information is similar to the information we are required to disclose about directors in our circular, such as information about their relevant education and experience, and whether or not they're independent. It's designed to make sure shareholders have enough information about each proposed nominee to make informed voting decisions.

For annual shareholder meetings, we must receive notice of director nominees at least 30 days (and not more than 65 days) before the meeting date. For special shareholder meetings (unless the special meeting is also an annual meeting), we must receive notice not later than 15 days after we file our notice of meeting and record date on SEDAR. If, however, we use notice-and-access to deliver our proxy materials, we must receive notice at least 40 days (and not more than 75 days) before the date of the annual or special meeting.

Our board plans to review the by-law from time to time and update it when needed to reflect changes in regulatory or securities law requirements or to meet industry standards. It can also waive any requirement of the by-law at any time, in its sole discretion.

A copy of our advance notice by-law is available on SEDAR (www.sedar.com).

OUR POLICY ON MAJORITY VOTING

The board adopted a majority voting policy for directors in 2010 that requires:

- individual (not slate) voting for all directors, and
- all directors to receive a majority of the votes cast for their election, otherwise they must offer to resign immediately.

If a nominated director does not receive a majority of votes, the CGC&N Committee will review the voting results, note any extraordinary circumstances and recommend to the board whether to accept the resignation or take other action. The director does not participate in these discussions.

The board must issue a news release explaining its decision within 90 days after the election results are certified.

This policy does not apply to contested director elections.

DIRECTOR PROFILES

The following profiles include information about each nominated director, including their skills, background and experience and list other public company boards of which they're members. We've also included, where applicable, their attendance for our 2015 board meetings, committee meetings and director education events, last year's voting results and details about their share ownership.

Holdings of Capital Power common shares and deferred share units (DSUs) are as of March 2, 2016 and based on $18.10, the closing price of our common shares on the TSX on March 2, 2016, and include reinvested dividends and dividend equivalents. Non-employee directors are not entitled to receive options.

Brian Vaasjo does not receive DSUs or other director compensation because he is compensated in his role as President and Chief Executive Officer (see Executive compensation beginning on page 38 for more information).

None of the nominated directors have any loans from Capital Power or any of our subsidiaries. All information is as at March 2, 2016 unless indicated otherwise.

Experience
Public board, deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, operations/engineering/ maintenance/construction, human resources/compensation, Alberta power markets, risk management, cyber/physical security, strategic planning/ leading growth, board/ committee chair

Industry
Power, oil & gas infrastructure, other resources/ industries

Government relations
Alberta, Canada (federal)

Seniority
Private CEO, senior functional

Geographic diversity
Edmonton, Calgary

Public board interlocks
None

Donald Lowry (64) (Chairman of the board)

Independent | Director since July 2009 | Edmonton, AB

Donald Lowry has been self-employed as a professional director since March 2013. Previously, Mr. Lowry served as President and CEO of EPCOR, a position he held since January 1998. Prior to joining EPCOR, Mr. Lowry spent more than 20 years in the telecommunications industry, including six years as President and Chief Operating Officer of TELUS Communications Inc.

Mr. Lowry graduated from the University of Manitoba with a Bachelor of Commerce degree (Honours), followed by a Master of Business Administration degree. He is a graduate of the Harvard Advanced Management Program and the Banff School of Management.

Mr. Lowry is past chair of the Canadian Electricity Association, past non-executive chair of Canadian Oil Sands Limited, and serves as a director on several boards, including Stantec Inc., Melcor Real Estate Investment Trust (REIT), Hydrogenics Corporation, Canadian Water Network and was chair of the 2014 ITU World Triathlon Grand Final Edmonton. He was recognized in 2010 as Alberta Venture's Business Person of the Year and in 2014 as the Alberta Chamber of Resources Person of the Year, 2013.

Board and committee membership	Meeting attendance
Board (Chair)	16 of 16 (100%)
Audit Committee (ex-officio non-voting)	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee (ex-officio non-voting)	7 of 7 (100%)
Health, Safety and Environment Committee (ex-officio non-voting)	3 of 3 (100%)

Securities and DSUs held			
Common shares	8,000	Total common shares and DSUs	22,191
DSUs	14,191	Total market value common shares and DSUs	$342,856
Percentage of Ownership Requirement	40%	Meets ownership requirement	in progress
Voting results 2015			
Votes in favour	46,297,015 (98.92%)	Votes withheld	506,981 (1.08%)

Other public directorships: Melcor REIT, Stantec Inc., Hydrogenics Corporation (3)

CEO = Chief Executive Officer | CFO = Chief Financial Officer | M&A = mergers and acquisitions | IPO = initial public offering

Albrecht Bellstedt (66)

Independent | Director since July 2009 | Canmore, AB

Albrecht Bellstedt has been self-employed as a professional director since February 2007. Previously, Mr. Bellstedt served as Executive Vice President and General Counsel of TransCanada Corporation and a predecessor corporation. Prior to that, he was a transactional lawyer in private practice for 27 years.

Mr. Bellstedt currently serves on a number of corporate boards and has served on a number of not-for-profit boards (including the Alberta University Hospital Foundation, the Edmonton Symphony Orchestra and the Banff Centre).

Experience
Public board, deal/M&A/IPO/hostile defence, regulatory/legal, Alberta power markets, risk management

Industry
Power, oil & gas infrastructure

Background
Lawyer

Seniority
Senior functional, partner

Geographic diversity
Calgary

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	16 of 16 (100%)
Corporate Governance, Compensation and Nominating Committee (chair)	7 of 7 (100%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities and DSUs held			
Common shares	7,090	Total common shares and DSUs	37,642
DSUs	30,552	Total market value common shares and DSUs	$687,410
Percentage of Ownership Requirement	157%	Meets ownership requirement	yes

Voting results 2015			
Votes in favour	46,481,836 (99.31%)	Votes withheld	322,160 (0.69%)

Other public directorships: Canadian Western Bank, Stuart Olson Inc. (Chair), Repsol Oil & Gas Canada Inc. (3)

Albrecht was no longer a director of Sun Times Media Group, Inc. (formerly Hollinger International Inc.) as of June 2008. Sun Times Media Group, Inc. went into Chapter 11 bankruptcy protection under the U.S. Bankruptcy Code in 2009.

Doyle Beneby (56)

Independent | Director since April 27, 2012 | San Antonio, TX, USA

Doyle Beneby is the CEO of New Generation Power International, an international independent renewable energy company. Prior to joining New Generation Power International, Doyle Beneby was the President and CEO of CPS Energy, the largest municipally-owned gas and electric utility in the U.S., a position he held since August 2010. Mr. Beneby has over 20 years' experience in various aspects of the electrical power industry.

Prior to joining CPS Energy, he served at Exelon Corporation from 2003 to 2010 in various roles, most recently, as Senior Vice President of Exelon Power and President of Exelon Corporation from 2009 to 2010. From 2008 to 2009, Mr. Beneby served as Vice President, Generation Operations for Exelon Corporation, and prior to that and from 2005 to 2008, Mr. Beneby served as Vice President, Electric Operations for PECO, a subsidiary of Exelon Corporation.

Mr. Beneby holds a Master of Business Administration from the University of Miami, and a Bachelor of Science from Montana Technical College.

Experience
Public board, deal/M&A/IPO/hostile defence, government/public affairs, human resources/compensation, operations/engineering/maintenance/construction, risk management, cyber/physical security

Industry
Power, other resources/industries

Background
Engineer

Seniority
Public CEO, private CEO

Geographic diversity
USA

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	16 of 16 (100%)
Audit Committee	4 of 4 (100%)
Health, Safety and Environment Committee (chair)	3 of 3 (100%)

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	15,761
DSUs	15,761	Total market value common shares and DSUs	$285,271
Percentage of Ownership Requirement	56%	Meets ownership requirement	in progress

Voting results 2015			
Votes in favour	45,782,170 (97.82%)	Votes withheld	1,021,826 (2.18%)

Other public directorships: Korn/Ferry International (1)

Patrick Daniel (68)

Independent | Director since February 17, 2015 | Calgary, AB

Mr. Daniel is past President and CEO of Enbridge Inc., a publicly traded energy delivery company, which position he held from 2001 to 2012. Prior to his appointment as President and CEO, he was a senior executive officer of Enbridge Inc. or its predecessor since 1994. In addition, Mr. Daniel served as a director of Enbridge Inc. from April 2000 to October 2012. In 2011, Mr. Daniel was awarded Canada's Outstanding CEO of the Year sponsored by The Caldwell Partners and chosen by an independent National Advisory Board.

Mr. Daniel is a director of Canadian Imperial Bank of Commerce and of Cenovus Energy Inc. Mr. Daniel holds a Bachelor of Science degree from the University of Alberta and a Master of Science degree from the University of British Columbia. He is also a member of the Association of Professional Engineers and Geoscientists of Alberta.

Experience
Public board, deal/M&A/IPO/hostile defence, government/public affairs, health, safety and environment, human resources/compensation, operations/engineering/maintenance/construction, regulatory/legal, risk management, cyber/physical security, strategic planning/leading growth, CSR/sustainability, board/committee chair

Industry
Power, oil and gas infrastructure, other resources/industries

Background
Engineer

Government relations
Alberta, BC, Ontario, Canada (federal), USA

Seniority
Public CEO

Geographic diversity
Calgary

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	11 of 15 (73.3%)
Health, Safety and Environment Committee	1 of 2 (50%)

Securities and DSUs held			
Common shares	4,500	Total common shares and DSUs	10,890
DSUs	3,890	Total market value common shares and DSUs	$164,523
Percentage of Ownership Requirement	55%	Meets ownership requirement	in progress

Voting results 2015			
Votes in favour	46,782,088 (99.95%)	Votes withheld	21,908 (0.05%)

Other public directorships: Cenovus Energy Inc., Canadian Imperial Bank of Commerce (2)

Only 15 of 16 board meetings occurred after the date of Mr. Daniel's appointment to the board on February 17, 2015, and only 2 of 3 Health, Safety and Environment Committee meetings occurred after his appointment to that committee on May 27, 2015.

Jill Gardiner (57)

Independent | Director since May 25, 2015 | Vancouver, BC

Jill Gardiner has been self-employed as a professional director and financial consultant since 2010. Previously, she spent over 20 years in the investment banking industry, most recently as Managing Director and Regional Head, British Columbia, for RBC Capital Markets. She also held various positions in corporate finance, mergers and acquisitions, and debt capital markets as well as serving as Head of the Forest Products Group and Head of the Pipelines & Utilities Group.

Ms. Gardiner is currently chair of the board of directors of Turquoise Hill Resources Ltd., and a member of the boards of directors of SilverBirch Hotels & Resorts LP and Parkbridge Lifestyle Communities Inc. She previously served on the boards of Timber Investments Ltd. and a number of non-profit boards, including the Banff Centre, the Vancouver Art Gallery and the Southern Alberta Institute of Technology.

Ms. Gardiner holds a Bachelor of Science and a Master of Business Administration, both from Queen's University. She is a member of the Institute of Corporate Directors.

Experience
Public board, deal/M&A/IPO/hostile defence, human resources/compensation, Alberta power markets

Industry
Power, other resources/industries

Background
CFO/financial expert, investment banker

Seniority
Senior functional

Geographic diversity
British Columbia

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	11 of 11 (100%)
Audit Committee	2 of 2 (100%)
Corporate Governance, Compensation and Nominating Committee	2 of 2 (100%)

Securities and DSUs held			
Common shares	2,471	Total common shares and DSUs	4,693
DSUs	2,222	Total market value common shares and DSUs	$93,336
Percentage of Ownership Requirement	45%	Meets ownership requirement	in progress

Voting results 2015			
Votes in favour	N/A	Votes withheld	N/A

Other public directorships: Turquoise Hill Resources Ltd. (1)

In 2015, 11 of 16 board meetings occurred after Ms. Gardiner's appointment on May 25, 2015, and 2 of 4 Audit Committee and 2 of 7 CGC&N Committee meetings occurred after Ms. Gardiner's appointment on May 27, 2015.

Experience
Deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, human resources/ compensation, pensions, operations/ engineering/ maintenance/ construction, regulatory/legal, financial/commodity trading, risk management, cyber/physical security, strategic planning/leading growth, CSR/sustainability

Industry
Power, other resources/industries

Background
CFO/financial expert, investment banker

Government relations
USA

Seniority
Private CEO, senior functional

Geographic diversity
USA

Public board interlocks
None

Kelly Huntington (40)

Independent | Director since June 3, 2015 | Indianapolis, IN, USA

Kelly Huntington is Senior Vice President of Enterprise Strategy at OneAmerica Financial Partners, Inc., a position she has held since July 2015. She also serves as a member of the boards of directors for five related entities. Previously, she was President and CEO for Indianapolis Power & Light Company (IPL) from 2013 until July 2015, and was also a member of the board of IPL and IPALCO Enterprises Inc. Prior to that, she was Senior Vice President and CFO at IPL and held various leadership positions at The AES Corporation. She began her career in investment banking and private equity. Ms. Huntington currently serves as the chair of the board of directors of Indianapolis Neighborhood Housing Partnership, vice chair of Riley Children's Foundation, and as treasurer of the Indianapolis Zoo.

Ms. Huntington holds a Master of Business Administration from Northwestern University's Kellogg School of Management, a Bachelor of Science from the Massachusetts Institute of Technology, and is a Chartered Financial Analyst.

Board and committee membership	Meeting attendance
Board	11 of 11 (100%)
Audit Committee	2 of 2 (100%)
Health, Safety and Environment Committee	2 of 2 (100%)

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	2,962
DSUs	2,962	Total market value common shares and DSUs	$53,618
Percentage of Ownership Requirement	19%	Meets ownership requirement	in progress

Voting results 2015			
Votes in favour	N/A	Votes withheld	N/A

Other public directorships: None

In 2015, 9 of 16 board meetings, 2 of 4 Audit Committee meetings and 2 of 3 Health, Safety and Environment Committee meetings occurred after Ms. Huntington's appointment on June 3, 2015. Ms. Huntington also attended 2 meetings of the board prior to her appointment date.

Experience
Public board, deal/M&A/IPO/hostile defence, government/ public affairs, health, safety and environment, human resources/ compensation, pensions, operations/ engineering/maintenance/ construction, regulatory/legal, risk management, cyber/physical security

Industry
Power, oil & gas infrastructure, other resources/industries

Background
CFO/financial expert, procurement/contracts

Government relations
Alberta, Canada (federal)

Seniority
Senior functional

Geographic diversity
Edmonton

Public board interlocks
None

Philip Lachambre (64)

Independent | Director since July 2009 | Edmonton, AB

Philip Lachambre is currently President of PCML Consulting Inc., a position he has held since February, 2007 and has been a professional director since July, 2007. Mr. Lachambre held many positions in the oil and gas, mining and construction sectors during his 43-year career, 31 years of which were at Syncrude Canada Inc. where he was Executive Vice President and CFO from 1997 until his retirement in 2007. He was also a director of Flint Energy Services Ltd. until 2012. Mr. Lachambre has had many areas of responsibility across numerous departments including corporate strategy, controllers, treasury, legal, government and regulatory affairs, EH&S, business development, stakeholder relations, human resources, procurement and contracts, information technology and aboriginal affairs.

Mr. Lachambre holds a Bachelor of Commerce degree from the University of Alberta, is a Supply Chain Management Professional (SCMP), and is a graduate of the Executive Management Program of the University of Western Ontario. Mr. Lachambre is also active in a number of local community organizations and boards.

Board and committee membership	Meeting attendance
Board	16 of 16 (100%)
Audit Committee (chair)	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	2 of 2 (100%)
Health, Safety and Environment Committee (chair)	1 of 1 (100%)

Securities and DSUs held			
Common shares	15,720	Total common shares and DSUs	43,275
DSUs	27,555	Total market value common shares and DSUs	$824,789
Percentage of Ownership Requirement	214%	Meets ownership requirement	yes

Voting results 2015			
Votes in favour	46,788,716 (99.97%)	Votes withheld	15,280 (0.03%)

Other public directorships: None

Mr. Lachambre was appointed chair of the Audit Committee on February 20, 2015, and was a member of the committee at all times in 2015. Mr. Lachambre stepped down from the Health, Safety and Environment Committee and joined the CGC&N Committee on May 27, 2015. Only 1 of 3 meetings of the Health, Safety and Environment Committee occurred prior to May 27, 2015 and only 2 of 7 meetings of the CGC&N Committee occurred after May 27, 2015.

Experience
Public board, deal/M&A/IPO/hostile defence, government/
public affairs, health, safety and environment, human resources/compensation, pensions, regulatory/legal, financial/commodity trading, technology development & deployment, risk management, cyber/physical security

Industry
Power, other resources/industries

Background
CFO/financial expert, accountant, procurement/contracts

Government relations
Ontario

Seniority
Senior functional, partner

Geographic diversity
Ontario

Public board interlocks
None

Margaret Mulligan (57)

Independent | Director since April 27, 2012 | Mississauga, ON

Margaret Mulligan has been a member of the board of Ontario Power Generation Inc., an Ontario Crown corporation with over 19,000 MW of nuclear, thermal and hydroelectric generating capacity, since 2005. Ms. Mulligan serves or has served on OPG's Human Resources & Compensation (Chair), Governance, Risk Oversight (Past Chair) and Audit Committees. Ms. Mulligan is also currently a member of the boards of Tuckamore Capital Management Inc., Energent Incorporated (a privately owned energy management solution company) and The Ladies Professional Golf Association where she serves as chair of the audit committee.

Ms. Mulligan previously served as Executive Vice President and CFO of Valeant Pharmaceuticals International, Inc. (formerly Biovail Corporation) from 2008 until December 2010, where she led the implementation of Biovail's new strategic focus, and co-led the merger of Valeant and Biovail. From 2005 until 2007 she served as Executive Vice President, CFO and Treasurer of Linamar Corporation, with accountability for financial reporting and compliance, enterprise risk management, treasury, taxation, M&A and internal audit.

Ms. Mulligan holds a B. Math (Honours) from the University of Waterloo, has been a chartered accountant since 1981 and was named a Fellow of the Institute of Chartered Accountants of Ontario in 2003.

Board and committee membership	Meeting attendance
Board	14 of 16 (87.5%)
Audit Committee	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	6 of 7 (85.7%%)

Securities and DSUs held			
Common shares	12,179	Total common shares and DSUs	26,760
DSUs	14,581	Total market value common shares and DSUs	$499,187
Percentage of Ownership Requirement	145%	Meets ownership requirement	yes

Voting results 2015			
Votes in favour	46,667,905 (99.71%)	Votes withheld	136,091 (0.29%)

Other public directorships: Tuckamore Capital Management Inc. (1)

Experience
Public board, deal/M&A/IPO/hostile defence, government/
public affairs, regulatory/legal, Alberta power markets, risk management, cyber/physical security

Industry
Power, oil & gas infrastructure

Background
CFO/financial expert, accountant

Government relations
Alberta, Canada (federal)

Seniority
Public CEO, senior functional

Geographic diversity
Edmonton

Public board interlocks
None

Brian Vaasjo (60)

President and CEO | Not independent | Director since May 2009 | Edmonton, AB

Brian Vaasjo has been the President and CEO of Capital Power since July, 2009. Prior thereto, he was Executive Vice President of EPCOR, and was President of EPCOR's Energy Division. At EPCOR, he was responsible for regional power generation, water operations and the growth of EPCOR's competitive power and water businesses across North America, as well as development and acquisition. He was President of Capital Power Income L.P. (CPILP) from September 2005 until July 2009 and Chairman of the board of its general partner from July 2009 to November 2011.

Mr. Vaasjo spent 19 years with the Enbridge Group of Companies and played a substantial role in several important acquisitions, developments and public offerings. He has a Master of Business Administration, is a Fellow of the Society of Chartered Professional Accountants, and has been on the boards of several non-profit organizations.

Board and committee membership	Meeting attendance
Board	16 of 16 (100%)
Audit Committee	4 of 4 (100%)
Corporate Governance, Compensation and Nominating Committee	7 of 7 (100%)
Health, Safety and Environment Committee	3 of 3 (100%)

Securities, DSUs and options held			
Common shares	88,531	Total common shares and DSUs	88,531
DSUs	n/a	Total market value common shares and DSUs	$1,602,411
Percentage of Ownership Requirement (see page 41)	104%	Meets ownership requirement (see page 41)	yes

As of March 2, 2016, Brian Vaasjo holds 89,915 performance share units (PSUs) and 1,600,949 stock options. Share ownership for Mr. Vaasjo is based on the sum of the number of common shares held by him and his unvested PSUs as of December 31, 2015 (see page 41).

Voting results 2015			
Votes in favour	46,530,795 (99.42%)	Votes withheld	273,201 (0.58%)

Other public directorships: None

Mr. Vaasjo attends Audit Committee, CGC&N Committee and Health, Safety and Environment Committee meetings as a guest and in his capacity as President and CEO of Capital Power.

MEETING ATTENDANCE AND COMMITTEE MEMBERSHIPS

We expect our directors to attend all board and relevant committee meetings. The CGC&N Committee reviews the attendance records to ensure each director has attended at least 80% of the meetings. If attendance falls below this level and there are no extenuating circumstances, the committee will discuss the situation and recommend to the board whether the board should seek the director's resignation.

Donald Lowry attends committee meetings as an ex-officio and non-voting member. Some directors also attend other committee meetings as guests, as noted below.

	Board meetings		Meetings of directors nominated by Capital Power (non-EPCOR elect directors)		Committee meetings					
					Audit		Corporate Governance, Compensation and Nominating (CGC&N)		Health, Safety and Environment (HS&E)	
Donald Lowry	16 of 16 (chair)	100%	4 of 4	100%	4 of 4	100%	7 of 7	100%	3 of 3	100%
Albrecht Bellstedt	16 of 16	100%	4 of 4 (chair)	100%			7 of 7 (chair)	100%	3 of 3	100%
Doyle Beneby	16 of 16	100%	4 of 4	100%	4 of 4	100%			3 of 3 (chair)	100%
Patrick Daniel	11 of 15	73.3%	3 of 3	100%					1 of 2	50%
Jill Gardiner	11 of 11	100%			2 of 2	100%	2 of 2	100%		
Kelly Huntington	11 of 11	100%			2 of 2	100%			2 of 2	100%
Philip Lachambre	16 of 16	100%	4 of 4	100%	4 of 4 (chair)	100%	2 of 2	100%	1 of 1	100%
Margaret Mulligan	14 of 16	87.5%	2 of 4	50%	4 of 4	100%	6 of 7	85.7%		
Brian Vaasjo	16 of 16	100%	4 of 4	100%	4 of 4	100%	7 of 7	100%	3 of 3	100%

Notes

- Effective April 24, 2015, the position of Chair of the non-EPCOR elect directors was eliminated and no further meetings of the non-EPCOR elect directors separate and apart from the board occurred after that date.
- Only 15 of 16 board meetings and 3 of 4 non-EPCOR elect directors' meetings occurred after the date of Mr. Daniel's appointment to the board on February 17, 2015, and only 2 of 3 Health, Safety and Environment Committee meetings occurred after his appointment to that committee on May 27, 2015.
- In 2015, 11 of 16 board meetings occurred after Ms. Gardiner's appointment on May 25, 2015, and 2 of 4 Audit Committee and 2 of 7 Corporate, Governance Compensation and Nominating Committee meetings occurred after Ms. Gardiner's appointment to those committees on May 27, 2015.
- In 2015, 9 of 16 board meetings, 2 of 4 Audit Committee meetings and 2 of 3 Health, Safety and Environment Committee meetings occurred after Ms. Huntington's appointment on June 3, 2015. Ms. Huntington also attended 2 meetings of the board prior to her appointment date.
- Mr. Lachambre was appointed chair of the Audit Committee on February 20, 2015, and was a member of the committee at all times in 2015. Mr. Lachambre stepped down from the Health, Safety and Environment Committee and joined the CGC&N Committee on May 27, 2015. Only 1 of 3 meetings of the Health, Safety and Environment Committee occurred prior to May 27, 2015 and only 2 of 7 meetings of the CGC&N Committee occurred after May 27, 2015.
- Allister McPherson, who is not standing for re-election in 2016, attended all meetings of the board and the Audit Committee in 2015.
- Brian Vaasjo attends committee meetings as a guest and in his capacity as President and CEO of Capital Power.

OTHER DIRECTORSHIPS

None of our director nominees serve together on other public company boards.

DIRECTOR EDUCATION

We endeavour to provide education and update contextual information as required to ensure that our directors have the most up-to-date knowledge to inform their decisions. Directors receive materials before each board meeting that include background information about items to be considered at the meeting. Directors are also encouraged to attend externally hosted education and Capital Power contributes to the cost. The table below lists the education we provided directly to our directors in 2015. You can find more information about education and ongoing development of directors on page 25.

Date	Event	Description	Attendees	
May	Plant tour	Tour of Southport power plant	Patrick Daniel	
May	Portfolio Management and Value Creation	Presentation by Jason Comandante, Vice President, Commodity Portfolio Management, Robert Wydareny, Director, Strategic Portfolio Management, and Rafal Krzywicki, Director, Origination and Marketing Tour of Trading Pit	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Allister McPherson Margaret Mulligan Brian Vaasjo
May	Plant tour	Tour of Shepard Energy Centre	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Allister McPherson Margaret Mulligan Brian Vaasjo
May	Changes in Energy Market Fundamentals	Presentation by Joel Bluestein, Senior Vice President, ICF International	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Allister McPherson Margaret Mulligan Brian Vaasjo
May	Déjà Vu All Over Again	Presentation by Avery Shenfeld, Chief Economist & Managing Director, CIBC	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Allister McPherson Margaret Mulligan Brian Vaasjo
July	Plant tour	Tour of Genesee	Patrick Daniel	
July	New Director Orientation	Presentations by our executives and senior managers regarding operations, health, safety and environmental matters, financial matters, enterprise risk management and internal audit, commercial initiatives and business strategy, and compensation and other human resources matters	Jill Gardiner	Kelly Huntington

Skills matrix

The CGC&N Committee uses a skills matrix to identify and track the key skills and areas of strength that the board believes are important for overseeing our business, management and our future growth.

The committee reviews the skills matrix at least once a year to assess whether the size and composition of the board are appropriate for our needs. It also uses the skills matrix to develop a list of potential candidates for nomination or appointment to the board in the future based on their skills and experience. This evergreen list of potential board directors is comprised of people the committee believes would be appropriate to join the board when there is a vacancy, and who would fill gaps in or complement the current skills matrix, and comply with our independence criteria for the board and its committees. The committee may also hire a search firm to identify potential candidates.

Shareholders elect directors at the annual meetings; however, the board may appoint additional directors between annual meetings to fill vacancies.

The table below shows the skills in each area and the number of directors who have these skills. You can learn more about each director's skills and experience in the director profiles beginning on page 13.

	Total	D. Lowry	A. Bellstedt	D. Beneby	P. Daniel	J. Gardiner	K. Huntington	P. Lachambre	P. Mulligan	B. Vaasjo
Experience										
Public board	**8**	✓	✓	✓	✓	✓		✓	✓	✓
Alberta power markets	**4**	✓	✓			✓				✓
Deal/M&A/IPO/Hostile Defence	**9**	✓	✓	✓	✓	✓	✓	✓	✓	✓
Government/Public affairs	**7**	✓		✓	✓		✓	✓	✓	✓
Health, safety and environment	**5**	✓			✓		✓	✓	✓	
Human resources/Compensation	**7**	✓		✓	✓	✓	✓	✓	✓	
Pensions	**3**						✓	✓	✓	
Operations/Engineering/Maintenance/Construction	**5**	✓		✓	✓		✓	✓		
Regulatory/Legal	**6**		✓		✓		✓	✓	✓	✓
Financial/Commodity trading	**2**						✓		✓	
Technology Development & Deployment	**1**								✓	
Risk Management	**8**	✓	✓	✓	✓		✓	✓	✓	✓
Cyber/Physical Security	**7**	✓		✓	✓		✓	✓	✓	✓
Strategic Planning/Leading Growth	**3**	✓			✓		✓			
CSR/Sustainability	**2**				✓		✓			
Board/Committee Chair	**2**	✓			✓					
Industry										
Power	**9**	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oil and gas infrastructure	**5**	✓	✓		✓			✓		✓
Other resources/Industries	**7**	✓		✓	✓	✓	✓	✓	✓	
Background										
CFO/Financial expert	**5**					✓	✓	✓	✓	✓
Accountant	**2**								✓	✓
Engineer	**2**			✓	✓					
Lawyer	**1**		✓							
Investment banker	**2**					✓	✓			
Procurement/Contracts	**2**							✓	✓	
Government relations										
Alberta	**4**	✓			✓			✓		✓
British Columbia	**1**				✓					
Ontario	**2**				✓				✓	
Canada (federal)	**4**	✓			✓			✓		✓
USA	**2**				✓		✓			
Seniority										
Public CEO	**3**			✓	✓					✓
Private CEO	**3**	✓		✓			✓			
Senior functional	**7**	✓	✓			✓	✓	✓	✓	✓
Partner	**2**		✓						✓	
Geographic diversity										
Edmonton	**3**	✓						✓		✓
Calgary	**3**	✓	✓		✓					
British Columbia	**1**					✓				
Ontario	**1**								✓	
USA	**2**			✓			✓			

2. Governance

Governance at Capital Power

We're committed to responsible corporate governance. We believe that effective governance is a major contributor to long term performance and investor confidence.

Our corporate governance practices are consistent with the following, as adopted by the Canadian Securities Administrators:

- National Policy 58-201 — Corporate Governance Guidelines (NP 58-201);
- National Instrument 58-101 — Disclosure of Corporate Governance Practices (NI 58-101);
- National Instrument 52-110 — Audit Committees (NI 52-110);
- National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings (CSox); and
- Form 58-101F1 — Corporate Governance Disclosure (58-101F1).

This section incorporates the corporate governance disclosure required by Form 58-101F1. We've also adopted a comprehensive Corporate Governance Policy which is available on our website (www.capitalpower.com).

Management also assessed our financial reporting procedures this year and concluded that we are in compliance as of December 31, 2015.

GOVERNANCE HIGHLIGHTS

✓	Voting is by individual director, we have a majority voting policy and we disclose the voting results on all items of business within five business days of a shareholder meeting
✓	We maintain separate chair and CEO positions so the board can function independently and monitor management's decisions and actions and effectively oversee our affairs
✓	The majority of our board nominees (8 out of 9) are independent
✓	The Chair of the board is independent
✓	The board has developed clear position descriptions for the Chair of the board, each committee and the CEO
✓	Our Audit Committee is 100% independent
✓	Our CGC&N Committee is 100% independent
✓	Directors must meet share ownership requirements within five years of joining the board (three times their annual cash and equity retainer in Capital Power DSUs and/or common shares). Capital Power's senior executive officers must also meet share ownership requirements (see page 41 for more information on the share ownership requirements for executive officers)
✓	Our board has a formal, written mandate
✓	Directors meet regularly without management present (in-camera)
✓	We expect 100% attendance of our directors. The CGC&N Committee reviews the attendance record to ensure directors have attended at least 80% of board meetings and their respective committee meetings
✓	The board has adopted a written code of business conduct and ethics, and monitors our compliance with it
✓	The board oversees strategic planning, risk management, succession planning and leadership development
✓	We conduct an advisory vote on executive compensation, giving shareholders a say on pay
✓	We adopted an incentive claw-back policy and anti-hedging policy, further aligning the interests of executives and shareholders
✓	We have orientation and continuing education programs for our directors
✓	We maintain a skills matrix to assist in planning, developing and managing the skills and competencies of the board
✓	Board and committee director self-assessments are conducted every year, with regular individual director and peer review. From 2016 and onwards, board evaluation will involve annual one-on-one meetings between each director and Chair of the board, biennial self-assessments, and biennial peer-to-peer assessments conducted by an independent third party.
✓	The board has adopted a Board Diversity Policy
✓	The board has adopted a Director Tenure & Succession Policy which establishes time limits

About the board

The board is responsible for our stewardship. It provides independent leadership for overseeing our business so we grow and sustain profits responsibly.

The board is actively engaged, supervises our business and affairs, and is specifically responsible for:

- management oversight and strategic planning
- enterprise risk management
- shareholder engagement.

The board ensures that management's plans and activities are consistent with our values, and support our vision to be recognized as one of North America's most respected, reliable and competitive independent power producers.

Mmes. Jill Gardiner and Kelly Huntington were appointed to the board effective May 25, 2015, and June 3, 2015, respectively, to serve until the end of the annual meeting of shareholders on April 22, 2016.

Independence

Eight out of nine director nominees (approximately 89%) are independent according to the standards of independence established under Section 1.2 of NI 58-101. Brian Vaasjo is not considered independent because of his position as noted below.

Nominated directors	Independent	Not independent
Donald Lowry	✓	
Albrecht Bellstedt	✓	
Doyle Beneby	✓	
Patrick Daniel	✓	
Jill Gardiner	✓	
Kelly Huntington	✓	
Philip Lachambre	✓	
Margaret Mulligan	✓	
Brian Vaasjo		✓ (President and CEO of Capital Power)

An independent, non-executive director chairs our board. The board met 16 times in 2015. The directors met without management for a total of 12 such meetings. You'll find the board's terms of reference in Appendix A. Prior to our annual meeting of shareholders on April 24, 2015, the board did not meet without Mr. Cruickshank present. However, the board believes that open and candid discussion among its independent directors was facilitated by our independent chairs of the board and of the non-EPCOR elect directors (prior to the elimination of the position of chair of the non-EPCOR elect directors). Mr. Cruickshank did not stand for election in 2015.

Separate chair and CEO positions

We maintain separate Chair and CEO positions, each with their own position descriptions (or terms of reference). The Chair leads, manages and organizes the board with a strategic focus and presides over its meetings while encouraging strong participation and commitment from all directors. The Chair also works with the CEO to develop and maintain productive stakeholder relationships, and to ensure that the board represents shareholders' interests.

Donald Lowry is the Chair of the board and independent of Capital Power, but he was president and CEO of EPCOR, our major shareholder, until March 6, 2013. As a result, we also had a chair of the non-EPCOR elect directors, who was independent of EPCOR. The non-EPCOR elect directors oversaw issues where EPCOR-elect directors may have had a conflict, such as sell-downs of EPCOR's equity interest in Capital Power or changes to Capital Power's dividends.

On April 24, 2015, we eliminated the position of chair of the non-EPCOR elect directors. The elimination of this position was a consequence of EPCOR's secondary offering and conversion of all remaining exchangeable units, which occurred on April 2, 2015. Albrecht Bellstedt was the Chair of the non-EPCOR elect directors up until April 24, 2015, and had served in that role since May 2012. Since April 24, 2015, Donald Lowry and Allister McPherson have continued to recuse themselves from all business involving a conflict of interest with EPCOR. Donald Lowry's cooling-off period vis-à-vis EPCOR will expire on April 2, 2016, as previously disclosed in Capital Power's management proxy circular dated March 4, 2015.

The CGC&N Committee recommends, and the board nominates, director candidates based on the skills matrix, their character and leadership strengths and other key qualities like breadth of experience, insight and knowledge, financial and compensation literacy, and business judgment. The nomination must be confirmed by the Capital Power nominated directors.

The terms of reference for the Chair of the board, each committee, individual directors and the President and CEO include detailed position descriptions and are available on our website (www.capitalpower.com).

Ethics

Our ethics policy applies to all permanent and temporary employees and members of our board of directors. Everyone must read, understand and comply with the policy, and executives must certify their compliance with the policy quarterly. Our ethics policy is on our website (www.capitalpower.com), or you can ask the Corporate Secretary to send you a copy (see page 8).

The board has oversight and control over the policy including governance over all material changes to the ethics policy.

Board

The board is responsible for overseeing our compliance with the laws that apply to us. The board receives regular reports on compliance, including reports of any ethical breach, management's follow-up activities and strategies to mitigate risk.

Senior officers

All senior officers must certify compliance with the policy quarterly and the President and CEO and Senior Vice-President and CFO certify our quarterly and annual financial statements and related management's discussion and analysis (MD&A), as well as our 2015 AIF, for filing with the Canadian Securities Administrators.

Reporting a concern

We've worked hard to foster a culture where anyone can speak openly about ethical concerns. Employees can raise a concern with their manager or a member of senior management, or report a concern or possible violation anonymously through our Integrity Hotline.

Our Integrity Hotline is available 24 hours a day, seven days a week (call 1.866.363.8028 or go to www.CPCEthics.com). A third party operates the hotline on our behalf to ensure confidentiality.

Investigating ethical complaints

We investigate complaints promptly and thoroughly.

A written report is completed for every investigation process and its outcome, and is maintained on file by our third party provider.

Material interests

Under the board's terms of reference, a director must disclose to us in writing any material interest he or she has in a material contract with us, whether or not it is a current or proposed contract, or have the interest entered in the minutes of the board meeting, including its nature and extent. The director must refrain from participating in any discussion or vote on the matter. In practice, a director with a material interest recuses himself from the board meeting when a discussion or vote takes place on such a matter.

Disclosure and insider trading policy

We must comply with laws and regulations when publicly disclosing important information about Capital Power, and all insiders must comply with insider trading and reporting requirements. We last updated our disclosure and insider trading policy in 2012. It governs the dissemination of information to the public and guides our decisions and actions in providing clear and complete disclosure in a timely manner, in compliance with all securities regulations.

Our disclosure committee consists of senior managers and reports to, and is subject to, the supervision and oversight of our President and CEO. Our disclosure committee is responsible for reviewing all proposed disclosure before it is released publicly. The disclosure committee also reports its work and findings to our board and Audit Committee, and must promptly inform our board and Audit Committee of any material disclosure issues or concerns regarding any of our disclosure controls that come to the disclosure committee's attention.

Ethics training

All of our directors and employees must participate in ethics training every two years.

ROLE AND RESPONSIBILITIES

The board is responsible for overseeing our strategy and enterprise risk management (including compliance with laws and regulations). It approves all matters required under the *Canada Business Corporations Act*, and other legislation that applies to us, our articles and our by-laws.

The board can delegate the review and approval of issues to its standing committees, however, most committee recommendations must be approved by the entire board.

The board explicitly delegates certain powers to management by written policy and subject to specific limits. Examples include:

- contract execution and spending authority policy
- financial exposure management policy
- investment policy

Oversight and strategic planning
The board is responsible for overseeing our strategic and corporate planning, an annual process that is designed to:
- maximize shareholder value
- ensure that we operate consistently with our values
- assess the opportunities and risks of our business

As President and CEO, Brian Vaasjo leads the executive team and is responsible for Capital Power's strategic direction, sound management and performance.

Management follows a comprehensive planning process for developing our strategy, corporate plan and budget.

First quarter	Management begins the process for the following year by carrying out the following: • assesses industry trends • prepares commodity and economic forecasts • reviews how well it executed its strategy in the previous year • decides whether or not the strategy must be modified • determines what modifications to the strategy are necessary (if any) • adjusts its plans and objectives to execute the strategy • prepares a long-range financial forecast
Second quarter	Management uses the inputs to develop our strategy and corporate plan, which contains our objectives, activities, forecasts and a risk assessment, and submits the draft strategy and corporate plan to the board (generally in May). The board and management meet for a two-day, off-site planning session to discuss the strategic plan. Management highlights the risks and solicits feedback from the board and any proposed changes to the strategy and tactics.
Third quarter	Management reviews the feedback and makes changes to the strategy and corporate plan. It submits the revised strategy and corporate plan to the board for approval, generally at its July meeting.
Fourth quarter	In November, management updates its financial forecasts based on recent events, updated commodity forecasts and the current budget. Corporate performance measures are also established for the following year based on the approved budget. Management establishes the budget based on the approved strategy and plan, and submits it to the board for approval.

Enterprise risk management
Effectively managing risk is critical to maximizing shareholder value. We believe that risk management is everyone's responsibility, from the board to individual employees.

Our enterprise risk management (ERM) program is based on the ISO 31000 International Standard for Risk Management, and uses a systematic approach to identify, treat, report and monitor risk. ERM practices are embedded in two key corporate processes (strategic and long term planning, and operational planning and budgeting), so we can identify risks that could prevent us from achieving our strategic and business objectives and develop strategies to mitigate those risks. This includes assessing specific risk areas, including unpredictable or unusual risks as well as emerging risks to our business.

We expect everyone to understand the risks that fall within their areas of responsibility and to manage these risks within approved risk tolerances.

Open communication is a key part of the process. We need our people to share the best available information (quantitative and qualitative), drawing from historical data, experience, stakeholder feedback, observation, forecasts and their expert judgment.

The board reviews and approves our risk tolerances, ERM policy, risk management processes and accountabilities every year.

The President and CEO is ultimately accountable for managing our risks and approving the ERM framework. He manages ERM through the executive team, which consists of his direct reports.

The vice president of risk management has day-to-day responsibility for the ERM framework, and reports to the CFO. The vice president presents a risk report to the board twice a year and updates as required.

Succession planning and leadership development
We maintain succession plans for the CEO and senior management to support our future growth and to retain our talent. The CGC&N Committee reviews the plans at least once a year and reports them to the board.

The committee also oversees our performance management and talent development programs to ensure that we are developing our management talent to support our business needs.

ORIENTATION AND ONGOING DEVELOPMENT

We believe in the importance of orientation for new directors and continuing education for ongoing development of the skills and knowledge of the board.

The board adopted a director orientation and education policy that includes:

- guidelines for new directors
- types of education and orientation information for directors
- educational opportunities
- site visits
- conferences, symposiums and seminars

Orientation

New directors receive information about their duties and obligations and our business and operations, as well as minutes and other documents from recent board meetings. They also receive a corporate governance manual prepared by management that includes our articles, by-laws and other board documents. Directors are responsible for familiarizing themselves with the content before their first board meeting.

New directors also spend a day with management and attend an orientation session to develop a basic understanding of Capital Power and our business before their first board meeting.

We may also provide additional information tailored to a new director's needs and interests, information on our current activities, and any other information that a new director requests.

We encourage new directors to attend committee meetings as an ex-officio member to broaden their understanding of different aspects of our business and governance in general.

Ongoing development

Management regularly gives articles, papers and in-house seminars on issues relevant to Capital Power, our business, and the legal and regulatory environment. Directors are responsible for reviewing the materials, attending the seminars, and staying up to date on relevant issues through the media and other public information sources.

We also offer site visits, including tours of facilities and plants we own. Directors are responsible for attending these whenever possible.

Directors can attend conferences, industry symposiums and other seminars and we will reimburse them 50% of the cost (including travel expenses), as long as the CEO or Chair of the CGC&N Committee believes that attending the event would benefit us and pre-approves it, and the director submits original receipts with the expense claim.

The CGC&N Committee recommends additional education opportunities for directors for the annual strategic planning sessions. You can learn more about our program in 2015 on page 19.

ASSESSMENT AND TENURE

The CGC&N Committee is responsible for board assessment, which involves assessing individual directors, committees, committee chairs, the board chair and overall board effectiveness. On November 18, 2015, the board adopted a new board and Director Evaluation Process (Evaluation Process). Pursuant to the Evaluation Process, and commencing in 2016, our ongoing board and director assessments and evaluations will involve:

- annual one-on-one meetings between the chair of the board and each director (such meetings serve to identify focus areas for the board to work on in terms of improving corporate governance, preserving share value and enhancing triple bottom line accountability, and these matters are discussed in camera at every meeting of the CGC&N Committee),
- biennial director self-evaluations (to be conducted in conjunction with the annual one-on-meetings held by the chair), and
- biennial peer-to-peer evaluations for all directors, which must be conducted by an independent third party.

Every year, the board and each committee do a self-assessment (in accordance with their terms of reference), which involve in-camera discussions and one-on-one interviews with each committee chair by the chair of the CGC&N Committee. The chair of the board also discusses board and committee performance with members of senior management.

In 2015, the Chair of the board conducted one-on-one interviews with each director and members of senior management. Although not anonymous, the one-on-one interviews between the chair and each director allowed the chair to have a frank discussion about key areas of interest, including director performance, continued tenure, and areas of focus for the coming year. The results of the annual self-assessment and interviews were discussed by the CGC&N Committee and the board.

An independent third party evaluation was conducted in 2015 and was concluded in April, 2015. The independent consultant reviewed the results of our board assessments for the last two years and our terms of reference for the board, our chair, our individual directors and all of our board committees, and discussed the results of that review with the chair of the board, the chair of our CGC&N Committee, and our Corporate Secretary to develop guidelines for the one-on-one interviews. The interview guidelines were distributed in advance of the interviews to assist our directors' preparation, and facilitated a candid review by our directors of: their own and each other's individual effectiveness, the effectiveness of our chair and committee chairs, and the effectiveness of our board committees and the board as a whole. The independent consultant compiled the results of the interviews anonymously, and prepared a separate report for each director and the board chair regarding how the relevant director and his or her peers assessed his or her performance. The board chair discussed with each director the results of his or her report in a private interview. After the private interviews were completed, the board chair discussed the results of the interview process generally with the CGC&N Committee to ensure that the peer evaluation results were integrated into the committee's planning.

You can read more about the annual Evaluation Process in our Corporate Governance Policy on our website (www.capitalpower.com).

Director tenure and succession

On November 18, 2015, our board adopted a Director Tenure & Succession Policy (Tenure Policy) and a Succession Plan & Committee Rotation (Succession Plan).

Our Tenure Policy provides that:

- Management's primary tools for determining whom to nominate to the board are our director skills matrix and our peer-to-peer director performance evaluations.
- In order to remain on the board, a director must be re-elected by our shareholders and receive satisfactory performance reviews.
- Non-management directors elected or appointed to the board prior to 2016 will have a maximum tenure of 12 years.
- Non-management directors elected or appointed to the board during or after 2016 will have a maximum tenure of 10 years.
- The board may extend the term of any director beyond the limits in the Tenure Policy if the board determines that Capital Power and the board would benefit from a director's service beyond the tenure limit (and any exercise of such discretion must be identified and disclosed to our shareholders in the proxy circular in which such director is being nominated for election beyond his or her term limit).
- The CGC&N Committee reviews the anticipated retirement dates of our directors every year, and, in conjunction with this review, will consider the board's size and composition, succession planning needs associated with loss of skills and experience, the need for board continuity, and the need for new skills and experience on the board as our business and external conditions change.

The Succession Plan is intended to address board succession planning in the context of directors chairing and/ or serving on the board's standing committees, which do much of the detailed, substantive work of the board and which work generally requires specific subject-matter expertise (the qualifications of compensation committee members, in particular, has come under increased critical focus in recent years). Therefore, the Succession Plan provides that:

- The chairs of the board and the CGC&N Committee will establish and maintain a board succession plan.
- The CGC&N Committee will establish a development plan for each of our directors that feeds into the succession plan.
- A skills matrix will be used for each standing committee of the board in order to aid succession planning and director development.
- Committee chairs and memberships will be rotated as appropriate to facilitate director development, board succession planning, institutional knowledge, continuity and renewal.

Diversity

Capital Power currently has three directors who are women and who represent one third of our director nominees, and two executive officers who are women and who represent one third of our executive officers.

In November 2014, the board adopted a Board Diversity Policy with the goal of maintaining our competitive advantage by including and making good use of directors who are diverse in terms of their skills, regional and industry experience, background, gender and other qualities. Such differences among directors are to be considered in determining the board's optimum composition and balanced appropriately. All appointments to the board are made based on merit, in the context of the skills and experience the board as a whole requires to be effective.

Pursuant to the Board Diversity Policy, the CGC&N Committee is required to:

- Consider the benefits of all aspects of diversity (including, but not limited to, skills, regional and industry experience, background, and gender) when reviewing the composition of the board.
- Consider candidates for nomination to the board on merit against objective criteria with due regard for the benefits of diversity when identifying such candidates.
- Ensure that every search for new directors includes diverse candidates.
- Consider the balance of skills, experience, independence and knowledge of Capital Power on the board, and the diversity of the board, as part of the annual performance review of the board, its committees, and our individual directors.

In 2015, and based on its assessment of the skills and experience the board will require over the next few years (see our skills matrix on page 20), the CGC&N Committee created the following list of required skills and experience to guide the search for three new directors:

- Audit committee and financial expertise,
- C-level executive experience,
- Public board experience,
- Large capital project management, procurement and operations experience, and
- North American power generation experience.

The committee also specifically tasked its external consultant to bring forward a short list that included female candidates and decided that women candidates who exhibited the sought-after skills and experience would be given more weight than men with comparable experience in the final decision making. As a result, Ms. Gardiner and Ms. Huntington were appointed to the board on an interim basis, effective May 25, 2015 and June 3, 2015, respectively, to serve until elected by our shareholders.

The board and committee are still considering how the Diversity Policy may be integrated with other board processes, including board assessment and performance reviews, our annual review of board composition and our skills matrix. More information about our skills matrix can be found on page 20. The board and committee have not yet decided how the effectiveness of the Board Diversity Policy will be specifically measured, however the effectiveness of the policy will be examined in rotation by our internal audit department as part of their rotating audit of all corporate policies approved by the board.

Capital Power does not specifically consider the level of women in executive officer positions when making executive officer appointments, nor does Capital Power have targets with respect to the representation of women on the board and in executive positions. With respect to recruiting directors or executive officers in the future, Capital Power would develop a list of criteria in terms of the desired skills and experience to be sought in the recruitment process and will recruit those candidates who best fulfill the needs, giving extra weight to any women who meet the criteria.

SHAREHOLDER ENGAGEMENT

Maintaining a dialogue with shareholders is important, especially on topics like governance and compensation practices.

Shareholders can attend the annual meeting and pose questions to the board and management. They can also learn more about Capital Power through the following:

- quarterly earnings conference calls with analysts and institutional investors
- an annual investor day for analysts and institutional investors with presentations by our executives
- executive presentations at institutional and industry conferences
- quarterly investor road shows in Canada and the United States.

We also receive feedback through:

- analyst and institutional shareholder participation in perception studies that are administered by a third party
- our advisory vote on our approach to executive compensation
- a dedicated address for email inquiries and a toll-free investor phone line
- a confidential ethics hotline and website for shareholders and the public to report a concern.

In addition, between October 2014 and February 2015, Donald Lowry, our chair, and Albrecht Bellstedt, the Chair of the CGC&N Committee, met with a number of Capital Power's largest institutional shareholders to hear their feedback regarding our governance practices.

SHAREHOLDER PROPOSALS

If you want to submit a shareholder proposal for us to consider including in the circular and proxy form for our 2016 annual meeting of shareholders, we must receive it by December 5, 2015, as required under the Canada Business Corporations Act, the corporate statute that governs Capital Power. We expect our 2016 annual meeting of shareholders to be held on or about April 22, 2016. Send your proposal to the Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta, Canada T5H 0E9.

Board committees

The board has three standing committees:

- Audit
- Corporate Governance, Compensation and Nominating
- Health, Safety and Environment.

The board can also establish ad hoc committees whenever appropriate.

The CGC&N Committee reviews the composition of each committee after each annual meeting. It looks at director independence, director qualifications and individual skills and experience when it constitutes each committee, ensuring that each one has the necessary expertise to provide effective oversight and carry out its responsibilities. Each committee has its own terms of reference, which it reviews and approves every year. These are posted on our website (www.capitalpower.com). You can find more information about each director in the director profiles beginning on page 13.

AUDIT COMMITTEE

You can find information about this committee in our 2015 AIF and the terms of reference for the committee in Appendix A to our 2015 AIF which is posted on our website (www.capitalpower.com) and on SEDAR (www.sedar.com).

Members[1]	Philip Lachambre (chair) Doyle Beneby, Jill Gardiner, Kelly Huntington, Margaret Mulligan Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members are financially literate as defined by Canadian securities laws and regulations: • Philip Lachambre is a former CFO, has other senior executive experience and has served as the chair of the audit committee for two public issuers and a private company. • Doyle Beneby has CEO and other senior executive experience and also has an MBA. • Jill Gardiner has investment banking experience, is a member (and previously chaired) a public company audit committee, has other previous audit committee experience, and has an MBA. • Kelly Huntington is a former CEO and CFO, has other senior executive and financial experience, is a chartered financial analyst and has an MBA. • Margaret Mulligan is a former CFO of two public companies, has a bachelor of mathematics degree, has chaired a number of audit committees, and is a chartered accountant and a Fellow of the Institute of Chartered Accountants of Ontario. Mr. Lachambre has been a member since our inception. Doyle Beneby and Margaret Mulligan joined the committee in May 2012, and Jill Gardiner and Kelly Huntington joined in May and June 2015, respectively. Philip Lachambre was appointed chair of the committee on February 20, 2015.
Key responsibilities	The committee provides assistance to the board in fulfilling its oversight responsibility to shareholders of Capital Power, the investment community and others in relation to the integrity of Capital Power's financial statements, financial reporting processes, systems of internal accounting and financial controls, the risk identification assessment conducted by Management and the programs established by Management and the board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports to Capital Power. In addition, the committee monitors, evaluates, advises or makes recommendations on matters affecting the financial and operational control policies and practices relating to Capital Power, including the external, internal or special audits thereof. The committee's terms of reference are available on our website (www.capitalpower.com).

Notes

[1]Allister McPherson was a member of the Audit Committee from 2009 to 2015. Mr. McPherson is not standing for re-election in 2016

AUDIT COMMITTEE, continued

Key activities and priorities in 2015	• reviewed our public disclosure documents for the year ended December 31, 2015 (annual report, audited financial statements, MD&A, AIF, quarterly financial statements and MD&A and press releases regarding our annual and quarterly financial results) and recommended them to the board for approval • monitored the external auditors (approved the audit plan, scope, budget and engagement letters), reviewed the interim and year-end audit reports, and recommended them to the board for approval • conducted an annual assessment of the external auditors • monitored the internal auditors (approved the audit plan and reviewed the quarterly and annual audit status reports and quarterly commodity risk reports) • monitored risk management and internal controls (reviewed interim and annual certification of filings under CSox, procedures for accounting and auditing complaints, quarterly litigation and ethics reports, management compliance certificates, fraud risk assessment, tax compliance reports corporate insurance program, significant accounting estimates, and post-implementation reviews) • monitored commodity portfolio management activities (reviewed quarterly commodity risk reports, Alberta commercial portfolio variance reports, a natural gas trading proposal, and a definition of speculative trading activities proposed by management) • reviewed and approved revisions to our Internal Audit Charter • monitored our strategy regarding share buy-backs pursuant to our normal course issuer bid • recommended our common share dividend increase to the board for approval • reviewed our IT security and industrial controls security • reviewed our financing plan for 2016 • reviewed and recommended changes to our Financial Exposure Management Policy and Credit Policy to the board for approval • reviewed our hurdle rates for project evaluation

Pre-approval policies and procedures

The committee must pre-approve any non-audit services to be provided by the external auditors. If because of time constraints the committee is unable to give pre-approval, the committee chair has authority to pre-approve additional services up to $100,000 per service and a maximum of $250,000 per year, as long as he reports them at the next committee meeting for ratification.

In 2015, the committee chair did not pre-approve non-audit related services. In 2015, the committee pre-approved non-audit related services in an amount not to exceed $80,000, plus applicable taxes, with respect to industrial control system vulnerability and penetration testing.

The committee met 4 times in 2015, and met without management present at every meeting. The committee also met with the external auditor and with the internal auditor without management present at every regularly scheduled meeting.

CORPORATE GOVERNANCE, COMPENSATION AND NOMINATING COMMITTEE

Members	Albrecht Bellstedt (chair) Jill Gardiner, Philip Lachambre, Margaret Mulligan, Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members have expertise in human resources management: • Albrecht Bellstedt serves on a number of corporate boards, was a lawyer, was a senior executive and general counsel for a major Canadian energy infrastructure company, and was legal advisor to various public company boards from 1974 to 2007. • Jill Gardiner has current and previous board chair experience, public and private company governance and compensation committee experience, and has an MBA. • Philip Lachambre is a former CFO, has senior executive experience with human resources and compensation matters, and has served on governance and human resources committees for a number of public and private issuers. • Margaret Mulligan has senior executive experience and serves on the governance committee, and chairs the compensation and human resources committee, of a major Crown corporation. Albrecht Bellstedt has chaired, and Donald Lowry has been an ex-officio, non-voting member of, the committee since its inception. Margaret Mulligan joined the committee in May 2012, and Jill Gardiner and Philip Lachambre joined the committee in May 2015.
Key responsibilities	The purpose of the committee is to: • review and recommend to the board the establishment and maintenance of appropriate structures, processes and policies required within Capital Power to address governance issues and maintain compliance with recognized corporate governance guidelines • make recommendations regarding the board's effectiveness and to identify and recommend individuals to the board for nomination as board members • review and determine matters affecting personnel and compensation and key compensation and human resources policies for Capital Power, so that such policies provide total compensation which is competitive in the market The committee's terms of reference are available on our website (www.capitalpower.com).
Key activities and priorities in 2015	*Board composition, development and compensation* • reviewed the director skills matrix and committee structure and membership • reviewed and recommended to the board our Succession Plan • recommended our director nominees to the board for our 2016 annual meeting of shareholders • reviewed and recommended certain changes to our director compensation *Corporate governance* • reviewed and recommended for board approval our governance and compensation disclosure in the AIF and this circular, and the overall circular • reviewed our compensation policies and practices, including management's key messages for compensation disclosure and risk management • reviewed terms of reference of the board, all committees, the Chair, individual directors and CEO • assessed director, board and committee performance, and recommended for board approval our new Evaluation Process • reviewed our director skills matrix and undertook a search for new director candidates in response to planned retirements from the board • reviewed and recommended to the board our Tenure Policy • reviewed and recommended to the board certain changes to our Corporate Governance Policy • reviewed our corporate governance practices and our disclosure of those practices *Compensation and benefits* • reviewed and recommended for board approval the CEO's 2016 annual objectives (including a corporate strategic objective for 2016) • reviewed and recommended for board approval the CEO's and executives' base salaries and short and long-term incentive awards, and reviewed and recommended for board approval stock option grants for non-executives • reviewed and approved management's recommendations for collective bargaining mandates, base salary adjustments for non-executives, short-term incentive plan awards (including merchant short-term incentive plan awards) and performance share unit awards to non-executives, and our 2016 performance measures for the short-term incentive plan (including a corporate strategic objective for 2016) • reviewed the governance of our pension and other benefit plans and the executive compensation program, recommended for board approval a new appointee to the management committee that oversees our pension and savings plans and certain amendments to our pension plans

Key activities and priorities in 2015, Continued	• reaffirmed the recommendation made by the Health, Safety and Environment Committee which reviewed our health, safety and environment objectives and performance indicators, and other key performance metrics related to our short-term incentive plan, long-term business plan and operations

Independent compensation consultant

The committee has an independent compensation consultant policy that sets out guidelines for the relationship between the committee, management and the independent consultant. The policy is available on our website (wwww.capitalpower.com).

The committee hired Hugessen Consulting Inc. as its independent compensation consultant in 2010. See page 43 for details about their services and fees.

The committee has retained an independent consultant for executive compensation matters because it recognizes the importance of receiving third party advice. This helps ensure that the committee's decisions and recommendations are appropriate for Capital Power and are consistent with market practices.

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest. The committee's consultant has never undertaken any work for management.

Towers Watson continues to act as management's consultant and will continue to provide management with consulting advice and administrative support on compensation, pensions and benefit matters.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Members	Doyle Beneby (chair) Albrecht Bellstedt, Patrick Daniel, Kelly Huntington Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members are knowledgeable about our health, safety and environment programs and policies. They are also skilled or experts in sustainable business practices, including health, safety, environment and social responsibility, and have other expertise relevant to the committee mandate. • Doyle Beneby has extensive senior executive operational experience with a utility and several energy companies in the U.S. • Albrecht Bellstedt was a lawyer and has experience as a senior executive in the power and energy infrastructure business and serves on a number of other boards. • Patrick Daniel was CEO of a large, publicly traded energy infrastructure company, has a Master of Science degree, and is a member of the Association of Professional Engineers and Geoscientists of Alberta • Kelly Huntington is a former CEO and CFO of a power company, and has other leadership experience in the power industry Doyle Beneby was appointed chair of the committee on October 24, 2014, and served on the committee prior to his appointment as chair. Albrecht Bellstedt has served on the committee since its inception. Patrick Daniel and Kelly Huntington joined the committee in May and June 2015, respectively.

Key responsibilities	The committee:
	• oversees matters relating to the impact of our operations on the environment and on the workplace health and safety of employees and contractors, including:
	    • reviewing our strategies, goals and policies for the three areas and revising them as appropriate
	    • conducting due diligence
	    • monitoring our performance in these areas
	The committee's terms of reference are available on our website (www.capitalpower.com)

Key activities and priorities in 2015	• reviewed the following:
	    • our overall performance in health, safety and the environment, including training, compliance and trends
	    • risk management and audit activities related to this area
	    • our annual disclosure on the environment, health and safety, which was recommended to the board for approval
	• monitored and reported to the board on current, pending or threatened material legal or regulatory actions by or against Capital Power
	• monitored changes and proposed changes to environmental laws and regulations
	• monitored our progress with implementing a world class safety program
	• reviewed our 2015 corporate responsibility report, which complies with the guidelines set out by the Global Reporting Initiative (GRI), the international standard for sustainable development reporting. A copy is posted on our website (www.capitalpower.com)
	• reviewed our health, safety and environment objectives and performance indicators and other key performance metrics related to our short-term incentive plan, long-term business plan and operations, and recommended the same to the board and CGC&N Committee, as applicable.

The committee met 3 times in 2015, and met without management present at every meeting.

3. Compensation

Director compensation

Compensation discussion and analysis

APPROACH TO COMPENSATION

Our director compensation is designed to attract and retain the most qualified people to serve on our board. It recognizes the size and complexity of the power industry, director compensation paid by a comparator group of companies, and the importance of share ownership to align the interests of directors and shareholders.

Brian Vaasjo does not receive any director compensation because he is an employee of Capital Power and is compensated in his role as President and CEO.

Share ownership

The board believes in aligning the interests of directors and shareholders, and the CGC&N Committee instituted share ownership guidelines in 2009, requiring directors to hold at least three times the total value of their annual cash and equity retainer. They must meet the requirement within five years of the date they were appointed or elected to the board.

As of March 2, 2016, four of the nominated directors meet the requirement (see page 37).

See the director profiles beginning on page 13 for the details of their individual holdings.

DECISION-MAKING PROCESS

We set the director fee schedule in 2009 as part of the plans for our initial public offering. Changes were made to the director fee schedule effective in April 2014 and January 2015. See the notes below our 2015 director fee table on page 36.

Benchmarking

Director compensation is benchmarked against a comparator group of companies that are similar in size and complexity.

With respect to compensation paid from 2009 to 2013, the comparator group was made up of companies that are publicly traded, primarily based in Alberta, classified as energy or utility companies, and earn revenue of between $1 billion and $10 billion.

In early 2014, Capital Power undertook a review of its director compensation, including a review of the director compensation comparator group. Effective April 25, 2014, the director compensation comparator group was changed to be the same as the comparator group used for the purpose of benchmarking executive compensation, which is described on page 40. The director compensation group approved effective April 25, 2014 was used for director compensation benchmarking in 2015 and will be used for director compensation benchmarking in 2016.

ELEMENTS OF COMPENSATION

Director compensation includes annual retainers, attendance fees and a modest travel allowance if a director cannot travel to and from a board or committee meeting within the same day. The annual equity retainer is paid in deferred share units (DSUs) to promote share ownership and align the interests of directors and shareholders.

The table below shows our director fee schedule for 2015.

Component	Amount
Chair retainer	
Annual chair retainer	$150,000/year
Annual chair equity retainer (paid in DSUs)	$135,000/year
Annual non-EPCOR elect chair retainer	$45,000/year
Annual non-EPCOR elect chair equity retainer (paid in DSUs)	$100,000/year
Director retainer	
Annual retainer	$35,000/year
Annual equity retainer (paid in DSUs)	$80,000/year
Committee retainer	
Audit Committee chair annual retainer	$16,000/year
Corporate Governance, Compensation and Nominating Committee chair annual retainer	$16,000/year
Annual retainers for other committee chairs	$10,000/year
Attendance fees (in person or via teleconference)	
Board meetings	$1,500/meeting
Committee meetings	$1,500/meeting
Travel fees	
Travel allowance	$500/round trip

Notes

Attendance fees

The Chair of the board does not receive attendance fees for participating in committee meetings.

Travel fees

Directors are entitled to be reimbursed for all reasonable travel expenses directly and necessarily incurred in connection with service on the board. When a director's travel serves multiple purposes, including non-Capital Power ones, Capital Power will contribute an amount that is no greater than that which would have been reasonably required to travel directly to and from the Capital Power business. Should a Director be required to travel from their place of residence the day before a board or committee meeting, or should a member have to travel back to their residence the day following a meeting, then a travel allowance fee shall be allocated.

U.S. resident directors

Commencing January 26, 2015, US resident directors are paid the amounts listed above in US dollars (for example, US resident directors receive an annual retainer of US $35,000 per year and an annual equity retainer of US $80,000 per year). This change was made to reflect the disadvantage experienced by US resident directors on account of the weaker Canadian dollar.

DSU plan

In addition to the annual equity retainer, directors can elect to receive all or a portion of the annual cash retainer, committee retainer and/or committee chair retainer in DSUs.

Retainers are paid quarterly. DSUs are credited to directors as notional units which have the same downside risk and upside opportunity as common shares but do not have a dilutive effect. We calculate the number of DSUs to be granted by dividing the amount of the retainer by the average closing price of our common shares on the TSX for the five trading days immediately preceding the grant date. Using a five-day average is common practice among Canadian public companies and may be a better indication of share price at the time than using the share price from a single day.

DSUs vest immediately and cannot be redeemed until a director voluntarily resigns or retires from the board, is not re-elected or dies. DSUs earn dividend equivalents as additional whole or partial notional units at the same rate as dividends paid on our common shares.

DSUs are redeemed for cash. The plan provides that cash payments for redeemed DSUs shall be calculated using the average closing price of our common shares on the TSX for the five trading days immediately before the date that is six months after a director voluntarily resigns or retires from the board, is not re-elected or dies. We can amend the plan at any time as long as a change does not adversely affect the rights of directors to receive DSUs or any previously granted without their consent, unless the change is required by law.

2015 details

DIRECTOR COMPENSATION TABLE

The table below shows the type of compensation directors earned in 2015.

It does not include Brian Vaasjo as he does not receive director compensation because he is an employee of Capital Power and is compensated in his role as President and CEO.

Doyle Beneby, William Bennett and Kelly Huntington received their compensation, and their amounts stated below are, in US dollars.

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total compensation ($)
Albrecht Bellstedt	92,000	90,000	–	–	–	4,500	
Doyle Beneby	78,000	80,000	–	–	–	2,500	
William Bennett	17,821	25,333	–	–	–	–	
Hugh Bolton	23,083	25,333	–	–	–	500	
Richard Cruickshank	26,083	25,333	–	–	–	–	
Patrick Daniel	46,604	68,809	–	–	–	500	
Jill Gardiner	41,981	47,957	–	–	–	1,000	
Kelly Huntington	41,981	47,957	–	–	–	2,000	
Philip Lachambre	81,762	80,000	–	–	–	500	
Donald Lowry	172,500	135,000	–	–	–	2,500	
Allister McPherson	63,500	80,000	–	–	–	500	
Margaret Mulligan	68,000	80,000	–	–	–	1,500	

Notes

Compensation was pro-rated for some directors:

- The position of chair of the non-EPCOR elect directors was eliminated in April 24, 2015. Albrecht Bellstedt received fees as chair of the non-EPCOR elect directors that was pro-rated up until that date, and pro-rated fees as a regular director thereafter. With respect to share-based awards, Mr. Bellstedt received the non-EPCOR elect chair equity retainer for Q1 and Q2, and the regular director equity retainer thereafter.
- William Bennett, Hugh Bolton and Richard Cruickshank did not stand for re-election at the annual meeting of shareholders held on April 24, 2015, and their annual directors' retainers were pro-rated to that date.
- William Bennett served as chair of the Audit Committee until February 20, 2015, and Philip Lachambre served as chair of the Audit Committee from and after February 20, 2015. The Audit Committee annual chair retainer for the first quarter of 2015 was pro-rated between them.
- Patrick Daniel was appointed to the board on February 17, 2015, and his compensation was pro-rated to that date. Pursuant to the DSU Plan, his $8,809 equity retainer for the period that he was a director prior to April 1, 2015 (included in the "Share-based awards" column above), was paid out in cash.
- Jill Gardiner was appointed to the board on May 25, 2015, and her compensation was pro-rated from May 26, 2015. Pursuant to the DSU Plan, her $7,597 equity retainer for the period that she was a director prior to July 1, 2015 (included in the "Share-based awards" column above), was paid out in cash.
- Kelly Huntington was appointed to the board on June 3, 2015, and her compensation was pro-rated from May 26, 2015, because she participated in the board's May 2015 strategic planning session. Pursuant to the DSU Plan, her $7,597 equity retainer for the period from May 26, 2015, to July 1, 2015 (included in the "Share-based awards" column above), was paid out in cash.

Fees earned
See the table on the next page for a breakdown of the total fees earned.

Share-based awards
Represents the annual equity retainer paid in DSUs. The number of DSUs granted is determined by dividing the amount of the retainer paid in DSUs by the simple average closing price for our common shares on the TSX for each of the five trading days immediately preceding the grant date.

All other compensation
Represents the travel allowance paid to directors.

BREAKDOWN OF FEES EARNED

The table below shows the breakdown of fees earned by directors in 2015. Four directors served as committee chairs and received a retainer for that role:

- Albrecht Bellstedt (CGC&N Committee as well as Chair of the non- EPCOR elect directors)
- William Bennett (Audit Committee)
- Philip Lachambre (Audit Committee)
- Doyle Beneby (Health, Safety and Environment Committee).

Doyle Beneby, William Bennett and Kelly Huntington received their compensation, and their amounts stated below are, in US dollars.

Directors can elect to receive all or a portion of the annual cash retainer, committee retainer and/or committee chair retainer in DSUs. Attendance fees are only paid in cash.

Name	Total fees earned ($)	Annual director retainer ($)	Annual committee chair retainer ($)	% of annual retainer earned paid in cash	% of annual retainer earned paid in DSUs	Attendance fee ($)	
						Board meetings	Committee meetings
Albrecht Bellstedt	92,000	40,000	16,000	100%	0%	21,000	15,000
Doyle Beneby	78,000	35,000	10,000	100%	0%	22,500	10,500
William Bennett	17,821	11,083	2,238	100%	0%	–	–
Hugh Bolton	23,083	11,083	–	0%	100%	7,500	4,500
Richard Cruickshank	26,083	11,083	–	0%	100%	7,500	7,500
Patrick Daniel	46,604	30,104	–	50%	50%	15,000	1,500
Jill Gardiner	41,981	20,981	–	100%	0%	15,000	6,000
Kelly Huntington	41,981	20,981	–	100%	0%	15,000	6,000
Philip Lachambre	81,762	35,000	13,762	100%	0%	22,500	10,500
Donald Lowry	172,500	150,000	–	100%	0%	22,500	–
Allister McPherson	63,500	35,000	–	100%	0%	22,500	6,000
Margaret Mulligan	68,000	35,000	–	100%	0%	18,000	15,000

Notes

Compensation was pro-rated for some directors:

- The position of chair of the non-EPCOR elect directors was eliminated in April 24, 2015. Albrecht Bellstedt received compensation as chair of the non-EPCOR elect directors that was pro-rated up until that date, and pro-rated compensation as a regular director thereafter.
- William Bennett, Hugh Bolton and Richard Cruickshank did not stand for re-election at the annual meeting of shareholders held on April 24, 2015, and their annual directors' retainers were pro-rated to that date.
- William Bennett served as chair of the Audit Committee until February 20, 2015, and Philip Lachambre served as chair of the Audit Committee from and after February 20, 2015. The Audit Committee annual chair retainer for the first quarter of 2015 was pro-rated between them.
- Patrick Daniel was appointed to the board on February 17, 2015, and his compensation was pro-rated to that date.
- Jill Gardiner was appointed to the board on May 25, 2015, and her compensation was pro-rated from May 26, 2015.
- Kelly Huntington was appointed to the board on June 3, 2015, and her compensation was pro-rated from May 26, 2015, because she participated in the board's May 2015 strategic planning session.

SHARE OWNERSHIP

The table below is based on $18.10, the closing price of our common shares on the TSX on March 2, 2016, and includes reinvested dividends. Directors must meet the share ownership requirement within five years of being appointed.

Equity ownership of directors

As at March 2, 2016

Name	Total common shares and DSUs (#)	Value ($)	As a % of ownership requirement (%)	Meets ownership requirement	Deadline to meet ownership requirement
Albrecht Bellstedt	37,642	687,410	157	yes	July 9, 2014
Doyle Beneby	15,761	285,271	56	in progress	April 27, 2017
Patrick Daniel	10,890	164,523	55	in progress	February 17, 2020
Jill Gardiner	4,693	93,336	45	in progress	May 25, 2020
Kelly Huntington	2,962	53,618	19	in progress	June 3, 2020
Philip Lachambre	43,275	824,789	214	yes	July 9, 2014
Donald Lowry	22,191	342,856	40	in progress	October 1, 2018
Allister McPherson	33,963	647,294	188	yes	June 25, 2014
Margaret Mulligan	26,760	499,187	145	yes	April 27, 2017

Notes

- Common shares purchased directly in the market by the directors are valued at the greater of book value or fair market value to determine if directors meet the ownership requirements at the deadline.

Share-based awards

The following table sets out information regarding DSUs outstanding as at December 31, 2015.

Name	Share-based awards (DSUs)			
	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Number of shares or units of shares that have vested (#)	Market value or payout value of vested share-based awards not paid out or distributed ($)
Albrecht Bellstedt	0	0	28,825	512,213
Allister McPherson	0	0	25,797	458,412
Don Lowry	0	0	12,027	213,712
Doyle Beneby	0	0	13,935	247,633
Jill Gardiner	0	0	1,064	18,904
Kelly Huntington	0	0	1,394	24,776
Patrick Daniel	0	0	2,454	43,614
Margaret Mulligan	0	0	13,174	234,108
Philip Lachambre	0	0	25,887	460,014
Richard Cruickshank	0	0	7,651	135,951

Notes

- Directors do not receive stock options.
- DSUs vest in full when credited to directors.
- Number of shares or units of shares that have vested includes reinvested dividends
- Market value or payout value of vested share-based awards not paid out or distributed is based on $17.77, the closing price of our common shares on the TSX on December 31, 2015.

Executive compensation

Letter to shareholders

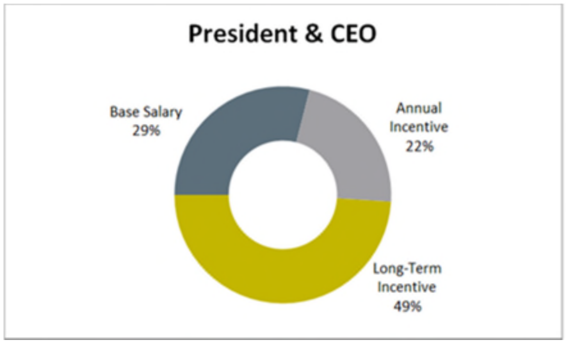
Dear shareholder,

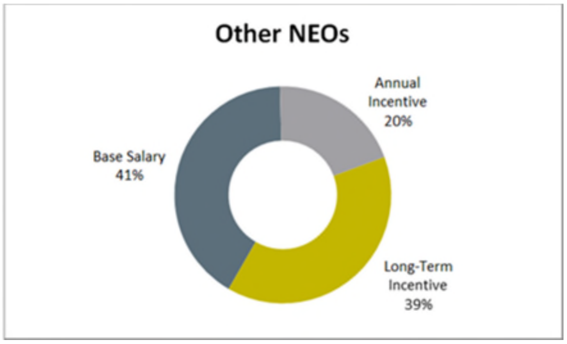
Commencing in 2012, the board has held an annual 'say on pay' advisory vote on executive compensation to ensure Capital Power's approach is appropriate and fair. While we received over 98% approval from shareholders last year, we believe it's important to continue to receive direct feedback from shareholders on this important matter.

Executive compensation at Capital Power is designed to be competitive, linked to performance and aligned with effective risk management. The CGC&N Committee sets the strategy for executive compensation, focusing on short, medium and long-term performance goals so Capital Power achieves its business priorities and enhances value for shareholders.

Where to find it

A target compensation mix is set for each executive. The mix is based on the executive's position, the executive's relative ability to influence our business results, and competitive practices. Incentive awards are at risk because they are not guaranteed. These incentive awards also account for the largest portion of the mix.





The President and CEO has 71% of pay at risk which is divided between 22% of pay delivered in annual incentives that are aligned with operational and financial performance objectives and 49% in long-term incentives (options and performance share units) that are aligned with sustained shareholder value creation. The other named executive officers have on average 58% of pay at risk with 20% of pay delivered in annual incentives and 38% of pay delivered in long-term incentives (options and performance share units, with the exception of Jacquelyn Pylypiuk, who receives options, performance share units and restricted share units). Named executive officers, other than Ms. Pylypiuk, must also meet share ownership requirements so they have a vested interest in the company and their interests are aligned with those of our shareholders.

Priorities in 2015

As a committee, we devoted a significant portion of our 2015 work plan to governance matters, monitoring developments in compensation and best practices and seeking advice from our independent consultant to ensure the committee's priorities were sound and decisions were appropriate and support the future growth of the company. These include:

- Reviewing the market competitiveness of Capital Power's executive compensation to ensure that it remains aligned with our compensation philosophy and business objectives.
- Reviewing and amending Capital Power's pension plan to comply with new regulations in the Province of Alberta.
- Reviewing CEO and executive team succession management plans.

As a committee, we fully recognize that our decisions and actions must reflect integrity and accountability — core values at Capital Power — and support the efforts of the executive team to help Capital Power achieve its vision to be recognized as one of North America's most respected, reliable and competitive independent power generators.

2015 performance (see page 49)

Corporate funds from operations (FFO) finished slightly above targeted expectations, primarily due to favourable plant availability. Capital Power's owned plants achieved strong availability throughout the year and as a result overall electricity generation production was above expectations.

Capital Power implemented a new Corporate Strategic Objective in 2015, weighted at 10%, which reduced the weighting associated with the primary financial performance measure (Funds From Operations) from 60% to 50% for the named executive officers. Detail on the strategic objective chosen by the board for the 2015 performance year is provided in a section that follows, titled Elements of Compensation.

Compensation highlights

The named executive officers will not receive a base salary adjustment in 2016 as their base salaries are currently competitively positioned.

Annual performance is reflected in the 2015 Short Term Incentive Plan (STIP) payments for the named executive officers. Payouts for named executives were adjusted down to 100% of target at a fully successful level.

PSUs granted to executives in 2013 vested on January 1, 2016. Our total shareholder return (TSR) was -8.7% over the three-year performance period, which was below the 25th percentile of the TSR of our peers (-0.8%). This resulted in a final payout multiplier of 50% and our executives realizing 50% of the original grant value of their PSUs.

Committee oversight and discretion (see page 46)

As a committee, we have the discretion to adjust payout levels for both the short and long term incentive (LTI) plans and for individuals to take into account any unusual factors or extenuating circumstances that are beyond the executive's control and result in an incentive award that inappropriately overpays or underpays, or creates an unintentional result. This discretion also applies to the "circuit-breaker" for executive compensation, whereby zero incentive awards will be paid when a threshold level of FFO is not achieved.

In reflection of share price performance and the generally challenging environment facing Capital Power in 2015, the board exercised is discretion to reduce the short-term incentive payouts to named executives, as indicated above.

Mitigating risk (see page 50)

We consider compensation risk in every compensation decision or recommendation we make to ensure our decisions and actions as a committee are consistent with Capital Power's policies and practices and appropriate based on market conditions and peer practices.

The anti-hedging policy and incentive claw back policy also ensure that executives and other employees conduct themselves appropriately.

Looking ahead

This coming year more than ever, the environment in which Capital Power operates has the potential for profound changes that could impact the business and correspondingly, how achievement should be measured and rewarded. While there is nothing to date that would suggest a change is required to key performance indicators embedded in programs like the Short Term Incentive Plan, management recognizes that amendments may need to be made to reflect a new reality.

This committee is experienced, knowledgeable and committed, and we are working hard to do what is right for Capital Power and its shareholders to support its future growth and benefit all stakeholders. We look forward to engaging in more dialogue with shareholders over the coming year.

You can contact the committee or the board through the Corporate Secretary, Capital Power Corporation,12th floor,
10423 – 101 Street, Edmonton, Alberta T5H 0E9.

Sincerely,

Albrecht Bellstedt
Chair, Corporate Governance, Compensation and Nominating Committee

Jill Gardiner　　Margaret Mulligan　　Philip Lachambre

Compensation discussion and analysis

This compensation discussion and analysis (CD&A) discusses executive compensation for 2015 for our five most highly compensated executives (our *named executives*):

- Brian Vaasjo, President and CEO
- Brian DeNeve, Senior Vice President, Finance and CFO
- Stuart Lee, former Senior Vice President, Corporate Development and Commercial Services
- Darcy Trufyn, Senior Vice President, Operations, Engineering and Construction
- B. Kathryn Chisholm, Q.C., Senior Vice President, Legal and External Relations
- Jacquelyn Pylypiuk, Vice President, Human Resources

Jacquelyn Pylypiuk is an "executive officer" of Capital Power for the purposes of National Instrument 51-102, but is not a board appointed officer. Stuart Lee, former Senior Vice President, Corporate Development and Commercial Services resigned from Capital Power on August 28, 2015. Mr. Lee held the position of Senior Vice President, Finance and CFO prior to May, 1, 2015 and is therefore also a named executive officer for 2015.

In this CD&A, all references to *committee* mean the board's CGC&N Committee, which has reviewed and approved the contents of this section.

APPROACH TO COMPENSATION

Philosophy and objectives

Our executive compensation is designed to pay for performance. We use direct and indirect compensation to create a total compensation package that is competitive with the Canadian energy and utility industry and companies that are similar to us in size and scope.

Our program aims to achieve three key objectives:

- Attract and retain high performing employees
- Link compensation with our business strategy and objectives
- Align total compensation with the interests of shareholders

The committee sets our strategy for executive compensation. It focuses on short, medium and long-term performance goals and the need for executives to have an ownership stake in Capital Power so we achieve our business priorities and enhance our value for shareholders.

Benchmarking

We benchmark our executive compensation against a comparator group of companies that we compete with for executive talent. To develop this group we used a set of criteria which includes comparably-sized companies (e.g., with revenues generally from $250 million to $5 billion, or approximately 0.25x to 4.0x our revenue) from the following industries:

- Utility and related companies from across Canada (16 of 27)
- Publicly-traded energy services and exploration and production companies from Alberta (6 of 27)
- General industry companies with headquarters in Edmonton (5 of 27)

The list of peer companies is as follows:

Utilities in Canada	Energy Services & E&P Companies in Alberta	General Industry Companies in Edmonton
Algonquin Power & Utilities Corp.	Bonavista Energy Corporation	ATB Financial Inc.
AltaGas Ltd.	Enerplus Corporation	AutoCanada Inc.
ATCO Ltd.	Ensign Energy Services Inc.	Canadian Western Bank
Emera Inc.	Lightstream Resources Ltd.	EPCOR Utilities Inc.
ENMAX Corp.	Pengrowth Energy Corporation	Stantec Inc.
Fortis Inc.	Precision Drilling Corporation	
Gibson Energy Inc.		
Inter Pipeline Fund		
Just Energy Group Inc.		
Keyera Corp.		
Northland Power Inc.		
Parkland Fuel Corporation		
Pembina Pipeline Corporation		
Superior Plus Corp		
TransAlta Corporation		
Veresen Inc.		

The group of 27 companies is well balanced from various perspectives, including size, industry and region. The table below summarizes Capital Power's positioning against the peer group.

			($ millions)
Market	**Total revenue [1]**	**Total enterprise value [2]**	**Total assets[1]**
25th Percentile	$1,228	$2,207	$3,723
50th Percentile	$2,322	$3,545	$4.842
75th Percentile	$3,624	$8,764	$9,833
Capital Power Corporation	**$1,228**	**$3,870**	**$5,420**
	25p	**52p**	**58p**

Notes:

(1) Revenue and total assets as of December 31, 2014, except for ATB Financial and Just Energy Group Inc. which are as of March 31, 2015, and Canadian Western Bank which is as of October 31, 2015.

(2) Total enterprise value as of December 31, 2015.

The committee and external consultants review the comparator group every year to make sure the composition is relevant. The executive compensation comparator group was not changed in 2015, and remains the same for 2016.

We obtain market data from publicly available proxy circulars and third party compensation surveys to compare executive base salaries and short and long-term incentive awards for positions that are similar in scope and responsibility.

Each compensation element, and overall total direct compensation, is targeted at the median of the comparator group. The resulting total direct compensation (base salary and short and long-term incentives) will produce above median compensation in the event of superior corporate and individual performance.

Share ownership guidelines

We require executives to own shares in Capital Power to align their interests with those of our shareholders. Minimum requirements increase by level of executive, and they must meet the requirements within five years of being appointed to the position:

Level of executive	As a multiple of base salary
President and CEO	3 x
Senior Vice President, Finance and CFO	2 x
All other senior vice presidents	1 x

The share ownership guidelines were reviewed and approved by the committee in 2014.

Share ownership for each executive is based on the sum of the number of common shares held and unvested performance share units (PSUs). Only unvested PSUs that will vest are included in the calculations because executives can use the proceeds from their PSU payout to buy common shares to meet their share ownership requirements.

For the 2013 unvested PSUs, it includes the minimum payout value of 50% of target. For the 2014 and 2015 unvested PSUs, it includes the portion of the award that has been earned in each year. Option grants do not count towards an executive's minimum ownership requirement.

The following table shows the common shares and PSUs each named executive held at December 31, 2015. The value of common shares reflects the higher of cost of acquisition or market price. Total unvested PSUs include dividend equivalents and is based on $17.77, the closing price of our common shares on the TSX on December 31, 2015. The estimated value of the unvested PSUs represents the payout value described above on an after tax basis (using a marginal tax rate of 40.25%).

Name	Total common shares (#)	Total unvested PSUs (#)	Value ($)	Total common shares and unvested PSUs held as a percentage of ownership requirement (%)	Meets ownership requirement	Deadline to meet the requirement
Brian Vaasjo	88,531	85,381	2,266,943	104	yes	July 1, 2014
Bryan DeNeve	21,292	18,884	488,293	74	In progress	May 1, 2020
Darcy Trufyn	29,381	19,886	680,068	200	yes	October 13, 2014
Kathryn Chisholm	17,408	18,017	397,116	124	yes	July 1, 2014

Notes:

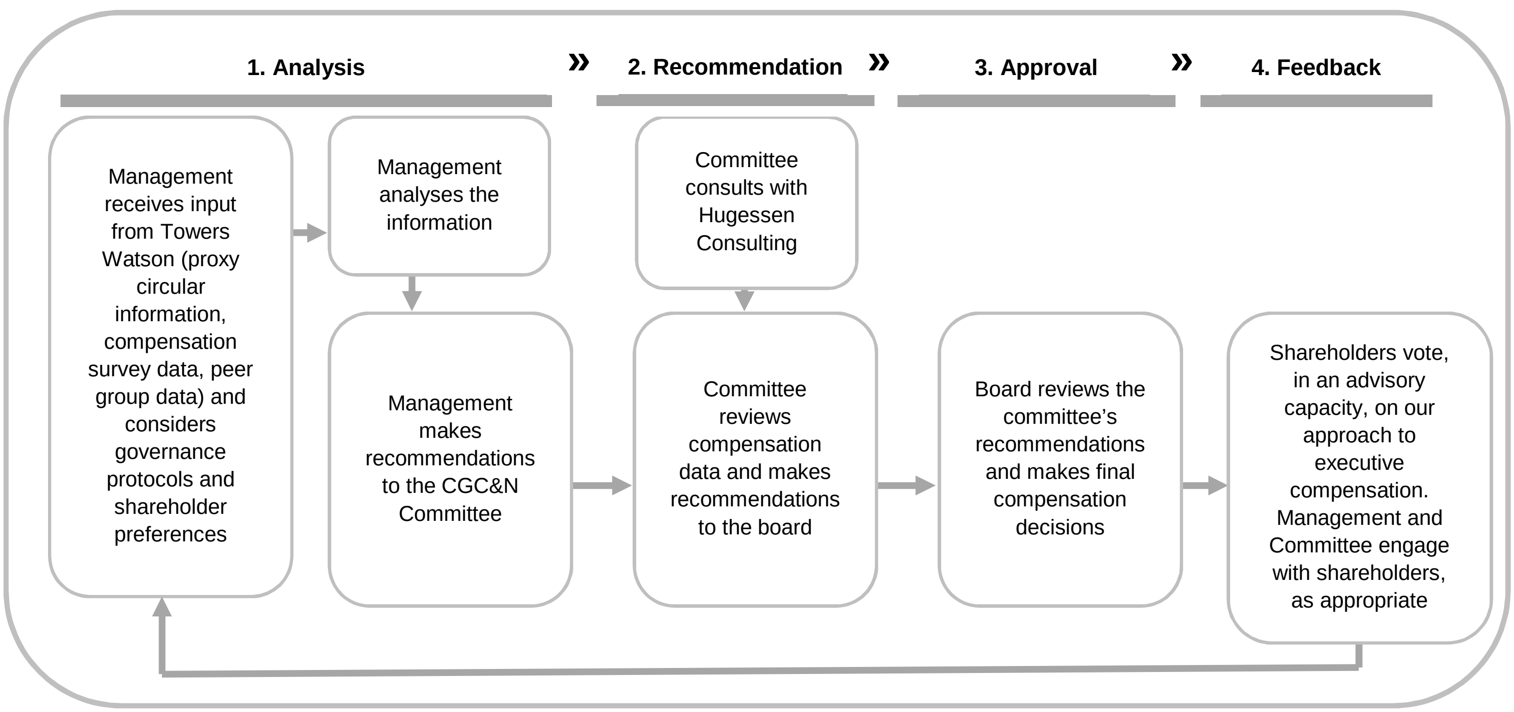
- Bryan DeNeve was appointed Senior Vice President, Finance and CFO on May 1, 2015, resetting his share ownership guideline to two (2) times his base salary with a new deadline of five (5) years from the date of appointment.
- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO. Mr. Lee is no longer subject to the share ownership guidelines.
- Jacquelyn Pylypiuk is a named executive officer for the purposes of securities laws. However, she is not a senior vice president covered by the share ownership guidelines.

We have an anti-hedging policy that prohibits insiders from engaging in any transaction in which they could benefit, directly or indirectly, if the value of any Capital Power security falls. In addition, any employee or director that has a minimum share ownership requirement is prohibited from encumbering those interests.

We do not require our executives to maintain their share ownership after they retire from Capital Power.

We have a deferred share unit (DSU) plan that allows executives to voluntarily defer all or a portion of their annual short-term incentive award into DSUs. The DSU plan helps to facilitate share ownership by providing executives a way to acquire share units on a pre-tax basis. The voluntary DSU deferral program is capped at the level required by executives to comply with their guidelines. Similarly to the DSUs for the directors, executives cannot access the value of their DSUs until they leave the Company. As of December 31, 2015, no named executive officers held DSUs.

DECISION–MAKING PROCESS



All executive compensation decisions are based on a formal process that involves human resources management, the committee and the board. Management's external consultant (Towers Watson) and the committee's independent compensation consultant (Hugessen Consulting) also provide input.

Analysis
Compensation planning is integrated with the annual business planning and budgeting process. Financial and operational targets are set based on the overall strategic plan and business priorities for the year.

Human resources management researches the market with input from Towers Watson that includes data from proxy circulars filed with Canadian securities commissions, and peer group analysis.

Management assesses the information and makes recommendations to the committee.

Recommendation
The committee reviews the compensation strategy and program design to make sure they align with our business needs. It reviews the total compensation of the CEO and other named executives against market data and recommends any changes to compensation levels to the board. The committee approves the annual salary increase budget for non-executives and the design of the STIP.

The committee also reviews the CEO's performance and his individual performance assessments of the other executives, and recommends the executive STIP awards to the board. It also reviews and approves the total payout of the STIP and the measures for the LTI plan to make sure they reinforce our key priorities.

Independent advice
The committee has retained an independent consultant for executive compensation matters because it recognizes the importance of receiving third party advice from a subject matter expert. This helps ensure that the committee's decisions and recommendations are made in an objective and arms-length manner in addition to being appropriate for Capital Power and consistent with market practices.

The consultant provides independent advice on:
- CEO compensation
- Peer groups for executive and director compensation, as well as performance assessment
- The performance framework
- Considerations related to levels of compensation in the competitive market provided by management and its advisor
- Other compensation and related governance matters included within the committee's mandate

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest.

In 2011, the board adopted a policy that sets out broad guidelines for the independent consultant relationship. The policy limits the consultant's exposure to management and requires the committee to pre-approve any work plan undertaken with management, among other things. The committee's consultant has never undertaken any work for management. Hugessen Consulting has been the committee's consultant since 2010. The table below shows the fees paid to them for the last two years.

	2015	2014
Executive compensation fees	$25,701.38	$83,814
All other fees	$0	$0
Total	**$25,701.38**	**$83,814**

Management can retain its own consultant for human resources matters, and has retained Towers Watson since our inception.

Approval
The board reviews the committee's recommendations and approves all decisions on executive compensation.

ELEMENTS OF COMPENSATION

Total direct compensation includes base salary and short and long-term incentive awards.

A target compensation mix is set for each executive. The mix is based on level and role, the individual's relative ability to influence our business results and competitive practices. Incentive awards are at risk because they are not guaranteed — they also account for the largest portion of the mix.

Compensation mix

Name	Base salary (%)	Short-term incentive (%)	Long-term incentives (%)	Total (%)
Brian Vaasjo	29	22	49	100
Bryan DeNeve	38	21	42	100
Darcy Trufyn	38	21	42	100
Kathryn Chisholm	42	21	38	100
Jacquelyn Pylypiuk	56	17	28	100
Stuart Lee	35	19	46	100

Note:

- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO.

The next table describes each element in more detail.

Component	Objective	What it rewards
Base salary	Provide a competitive base level of fixed compensation based on responsibilities, scope and market data	Experience, expertise, knowledge and scope of responsibilities
Short-term incentive	Provide compensation that is based on achieving annual performance targets that support our overall strategic direction	Achievement of annual corporate objectives and individual performance goals
Long-term incentive	Provide equity-based compensation for sustaining mid to long-term performance and aligns the interests of executives and shareholders Used to retain executives longer term	Achievement of mid to long-term performance results and growth in share price

Base salary

Base salaries are targeted at the median of the compensation comparator group, and are based on the responsibilities of each position, individual experience, expertise and knowledge when compared with the market, individual performance and internal equity.

Short-term incentive

The STIP is designed to provide a competitive annual bonus based on corporate and individual performance while reinforcing our focus on strong leadership. The plan focuses on the achievement of corporate results and incents participants to meet or exceed individual business-specific objectives and clearly defined business-related leadership expectations.

Target awards are set for each position as a percentage of base salary, and are targeted at the median of the comparator group for executive positions with similar responsibilities. The table below shows the target incentive for each named executive for 2015.

	As a % of base salary		
Name	**Minimum (%)**	**Target (%)**	**Maximum (%)**
Brian Vaasjo	0	75	150
Bryan DeNeve	0	55	110
Darcy Trufyn	0	55	110
Kathryn Chisholm	0	50	100
Jacquelyn Pylypiuk	0	25	60
Stuart Lee	0	55	110

Notes:

- Jacquelyn Pylypiuk's STIP target percentage increased to 30% on December 13, 2015, after the program's award cut-off date of December 1, 2015.
- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO.

STIP awards are based on performance over the 2015 calendar year and are paid out in March 2016.

Performance measures and weightings
Performance under the STIP is based on the following measures and weightings for the executive group:

Performance measure	Weighting	
Corporate measures		Corporate measures have a threshold, target and stretch value for each metric. There will be no payout for the corporate measures if performance is below threshold.
Funds from operation (FFO)	50%	
Corporate Strategic Objective	10%	
Health, Safety and Environment (HSE) Index	10%	

Performance	Payout (as a % of STIP target value)
Threshold (minimum)	50%
Target	100%
Stretch (maximum)	200%

Performance measure	Weighting	
Individual measure		The individual measure is assessed through the performance management process. Performance against business objectives is measured and rated against a five-point scale that determines the payout:
Business objectives	30%	

Rating	Payout (as a % of STIP target value)
Unacceptable	0%
Stronger performance required	50%
Fully successful	100%
Frequently exceeds expectations	150%
Outstanding	200%

The maximum payout is capped at 200% of target.

The following requirements must be met for an individual to receive the maximum payout:
- Stretch results for corporate performance
- Outstanding performance against business objectives

Payout formula
The target incentive opportunity for each position is a percentage of base salary. Performance is assessed against each measure and its weighting. Results against each of the three performance measures are added together to determine the final STIP award:

The example on the next page shows how the final STIP award is determined under the plan based on the following assumptions:
- Base salary – $330,000
- Target incentive – 55%

Performance assumptions
- Funds from operation (FFO) result – Below Target
- Corporate Strategic Objective – Target
- HSE Index result – Stretch
- Business objectives result – Target

The STIP includes a circuit breaker which is set at a level below the threshold value of FFO. In the event that FFO is below the circuit breaker value, the STIP will not pay out, except for the compensation related to the HSE Index component of the incentive. Notwithstanding this circuit breaker guideline, the committee may still use informed judgment and discretion when determining the level of incentives that may be paid for all components of the short-term incentive when the minimum circuit breaker level is not met, or as the committee deems appropriate in the circumstances.

The Corporate Strategic Objective (weighted at 10%) chosen by the board for the 2015 financial year was advancement of the Genesee 4&5 project in accordance with the 2015 Project Plan and Strategy.

Measurement of the HSE Index includes two threshold conditions to be met in order for the metric to contribute to a payout of the STI award. The threshold conditions, which apply to two of the lagging indicators (Total Recordable Injury Frequency (TRIF) and Environment Incidents), are:

- Should there be a fatality or permanent disabling injury, then TRIF is said to have not met threshold performance and will not contribute towards the STIP award.
- Should there be a major or critical environmental incident, then the Environment Incident measure will be deemed to have not met threshold performance and will not contribute towards the STIP award.

Committee oversight and discretion
The committee has the discretion to adjust payout levels for the overall plan and for individuals to take into account any unusual factors or extenuating circumstances that are beyond the executive's control and result in an incentive award that inappropriately overpays or underpays, or creates an unintentional result. The committee exercised its discretion with respect to the 2015 award.

Long-term incentive
We grant a LTI award to:

- Align the interests of our executives and shareholders
- Motivate executives to deliver strong mid and long-term performance
- Retain executives over the long term

The award typically consists of two components — 50% of the targeted value in performance share units (PSUs) and 50% in stock options. Jacquelyn Pylypiuk receives a LTI award consisting of three components – 50% of the targeted value in restricted share units (RSUs), 25% in stock options and 25% in performance share units.

We can also grant stand-alone stock appreciation rights (SARs) and tandem SARs under the LTI plan, but have not done so to date.

Awards are granted annually, generally at the target value based on the grant levels approved by the committee and recommended to the board for approval. The committee stress tests the LTI award using different performance scenarios to test the expected values of the award and assess the competitiveness of total compensation relative to the compensation peer group.

The size of the grant is based on the target award and grant level approved by the committee and the board.

The committee assesses the CEO's performance and recommends his LTI award to the board for its review and approval. The CEO prepares recommendations for the other plan participants based on their level of responsibility, performance and market competitiveness. He submits these to the committee which then recommends the awards to the board for its review and approval.

The committee and the board do not consider grants from previous years when determining new awards.

Board oversight and discretion
The board has the discretion to amend or discontinue the LTI plan at any time, subject to compliance with the requirements of the TSX.

Performance and Restricted share units

Form of award	Notional share-based awards
Who participates	Executives and senior management
Dividends	Dividend equivalents (at the same rate as dividends paid on our common shares)
Vesting	Cliff vest at the end of three years, on January 1
Payout	Cash (or shares issued from treasury at the board's discretion)
Assignment	Generally cannot be transferred unless it is to the participant's spouse (as beneficiary), or a personal holding corporation or family trust that the participant controls for the benefit of his or her children or grandchildren (if they are minors) after the participant dies. Outstanding PSUs and RSUs are for the benefit of and are binding on the beneficiary

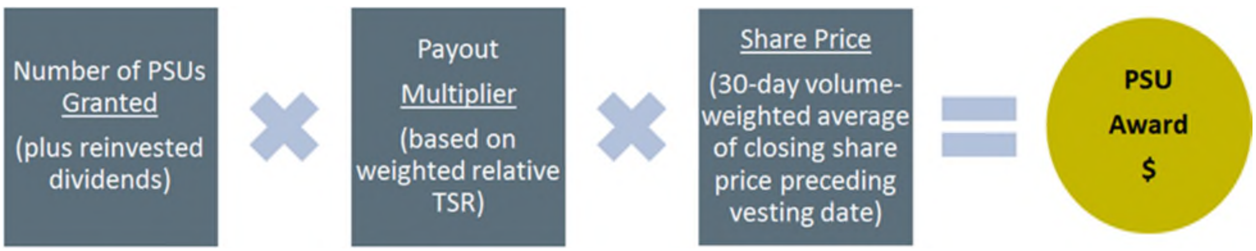
Performance and Restricted share units, continued

Termination	*Resignation/termination for cause* – all PSUs and RSUs are forfeited *Termination without cause* – vesting of PSUs and RSUs is pro-rated to the last day worked and for PSUs, is based on actual performance to the end of the quarter preceding the date of termination *Retirement/Disability* – vesting of PSUs and RSUs is pro-rated to the last day worked and for PSUs, is based on actual performance to the end of the quarter preceding the date of termination *Death* – vesting of PSUs and RSUs is pro-rated to the day that the participant died and for PSUs, is based on target performance

As of the date of this circular, only cash-settled PSUs and RSUs have been issued.

RSUs vest on a time-basis and do not have any performance conditions attached to the award. PSUs focus on relative performance, using TSR, defined as growth in share price (including reinvested dividends) to measure our performance against our peers.

Payout formula



The actual payout or realized value of PSUs is based on our TSR ranking and our share price at the end of the three-year performance period. The award is generally expected to be paid out in cash.

The RSU payout formula is as shown above but excludes the performance-based payout multiplier.

Performance peer group
Our performance peers are companies with similar business characteristics that we compete with for investment capital.

All of the companies in the performance peer group are publicly-traded Canadian companies classified as power producers or utilities with enterprise values greater than $1 billion, with strong dividend yields and low volatility (as measured through a company's beta, namely the measure of volatility relative to the market as a whole).

The following table provides a listing of the companies used to measure our TSR performance for the 2013, 2014 and 2015 PSU grants:

Company	2013 PSU grant	2014 PSU grant	2015 PSU grant
Algonquin Power & Utilities Corp.	x	x	x
AltaGas Ltd.	x	x	x
Atlantic Power Corporation	x	x	x
Brookfield Renewable Energy Partners L.P.	x	x	x
Canadian Utilities Limited	x	x	x
Capstone Infrastructure Corporation		x	x
Emera Incorporated	x	x	x
Fortis Inc.	x	x	x
Innergex Renewable Energy Inc.	x	x	x
Northland Power Inc.	x	x	x
TransAlta Corporation	x	x	x
TransCanada Corporation	x	x	x
Veresen Inc.	x	x	x

No changes to the group were made for the 2016 PSU grant.

The difference between the executive compensation comparator group and the performance peer group reflects the different purposes of each of the groups, namely benchmarking executive pay versus benchmarking company performance. The executive compensation comparator group represents the market for executive talent while the performance peer group represents companies that share similar risks and opportunities and are operational and strategic competitors.

Independent consultants and the committee review the peer group every year to identify the external benchmarks that represent the competitors for investor dollars and operating peers with comparable risks and opportunities. Many of the peers do not have the same commodity exposure as us, so we anticipate that performance relative to these companies will be impacted by our position within the commodity cycle. Given the limited number of direct performance peers, we believe that the current group best represents other Canadian companies with similar business and operational strategies.

Payout multiplier

Starting with the 2014 PSUs, relative TSR is measured over four tranches: an averaging period of three years, based on 60% annual performance (20% per year); and, 40% of three-year cumulative performance. Payouts are made at the end of the three-year performance period based on the weighted average of the payout multipliers over the four measurement periods and our share price at the end of the period. The table below shows the TSR rankings and corresponding payout multipliers for the formula:

If we achieve a TSR ranking of:	Then the payout multiplier for each tranche of the 2014/2015 PSUs is	Then the payout multiplier for the 2013 PSUs is
75th percentile or higher	200% of target	150% of target
50th percentile (median)	100% of target	100% of target
25th percentile	50% of target	50% of target
Below the 25th percentile	0% of target	50% of target

The payout multiplier is interpolated on a straight-line basis if performance falls between ranges.

Stock options

Stock options promote a focus on increasing our absolute share price over the longer term.

We've made six grants of stock options since our inception in 2009, a one-time grant under the 2009 plan and subsequent grants under our current LTI plan.

The one-time grant under the 2009 plan replaced the value of outstanding 2006, 2007, 2008 and 2009 EPCOR phantom options held by EPCOR employees who joined Capital Power in 2009. The exercise price was at least the same as the IPO price when the options were granted on July 8, 2009. No additional grants will be made under this plan. The one and only options grant made under the 2009 plan will expire on July 8, 2016.

The exercise price for stock options granted under the current LTI plan is the closing price of our common shares on the TSX on the day immediately preceding the grant date (the fair market value).

	Current LTI plan	Differences under the 2009 plan
Form of award	The right to purchase our common shares at a price that is at least the fair market value on the grant date	Same as current plan
Participants	Executives and senior management	Employees who held EPCOR phantom options
Vesting	One-third each year beginning on the first anniversary of the grant date (unless stated otherwise when the options are granted)	One-third each year beginning on July 8, 2010
Term	Expire after seven years (or less as stated when the options are granted) If the expiry date falls during a black-out period, the expiry date is extended to 10 days after the black-out period ends	Expire after seven years
Payout	Based on when the participant exercises the options The participant only realizes a value if the share price is higher than the exercise price when they exercise the options	Same as current plan
Assignment	Generally cannot be transferred, unless it is to the participant's spouse (as beneficiary), a personal holding corporation or family trust that the participant controls for the benefit of his or her children or grandchildren (if they are minors) after the participant dies or a participant's ex-spouse by way of legally binding separation agreement and notarized letter of direction. Any outstanding options are for the benefit of and are binding on the party holding exercise rights	Same as current plan

	Current LTI plan	Differences under the 2009 plan
Termination	*Resignation* - unvested options are forfeited and vested options expire up to 30 days after termination *Termination without cause* - all options expire up to 30 days after termination and continue to vest during that period *Retirement/disability/death* – all options expire up to 12 months after termination and continue to vest during that period *Termination for cause – vested and unvested* options are forfeited upon termination	*Resignation/termination without cause* - unvested options are forfeited and vested options expire up to 90 days after termination *Termination for cause* – unvested and vested options are forfeited *Retirement/disability/death* – unvested options are forfeited and vested options expire up to 12 months after termination

The committee and the board believe that stock options form an important component of a competitive compensation package for executives and senior managers. They help attract and retain strong talent and motivate them to execute our business strategy successfully.

The board recognizes the need to strike a proper balance between a long-term compensation program for management employees that aligns their interests with those of shareholders, and potential shareholder concerns about dilution from the ongoing granting and exercising of stock options.

Stock option valuation
Stock options are valued using the estimated accounting grant date fair value (determined by using the binomial option pricing model) or 15% of the calibration price, whichever is greater. For the 2015 stock option grant, a value ratio of 15% was used.

Amending or terminating the plans

We must receive shareholder approval to make any of the following changes:
- increase the maximum number of shares that can be granted under the plan
- reduce the exercise price below the market price of the shares on the grant date
- cancel and re-issue an award under different terms which has the effect of reducing the exercise price of the award
- increase the limits of the number of common shares (including the impact of exchangeable LP units) that can be reserved for issue to insiders or to any participant
- reduce the exercise price of an outstanding award
- extend the term beyond seven years
- extend the term of any outstanding awards
- allow a participant to assign their options to someone not currently allowed under the plan
- change the definition of persons eligible to participate in the plan.

The board can make housekeeping or administrative changes as set out in the plan documents if they meet the TSX requirements. The board can also terminate the plans at any time.

Any changes do not affect the rights that participants have already accrued.

Share reserve
The plans limit the number of common shares that may be reserved for issue:
- up to 10% of the total common shares issued and outstanding to all insiders in any year
- up to 5% of the total common shares issued and outstanding to any participant

The number of common shares reserved for issue for stock options awarded to insiders represents approximately 2.2% of the common shares outstanding and common shares that can be issued for the exchange of exchangeable LP units (97,379,843 as at December 31, 2015).

A total of 7,094,506 common shares can be issued under the plans as at December 31, 2015.

For additional discussion of our equity compensation plans, please see page 59.

ASSESSING PERFORMANCE

Our executive compensation is designed to pay for performance, rewarding individuals for results that meet or exceed our corporate objectives and business strategy within the risk tolerances approved annually by the board.

The Business Planning and Review (BPR) process is Capital Power's integrated business planning, risk management, budgeting and performance management process. The planning stream of the BPR process is designed to:
- align departmental business plans with our corporate plan and strategy
- promote cross-functional coordination
- increase accountability for deliverables and cross-functional commitments
- link plans with resources through integration with the budget process

The business planning process starts with the development of the CEO's business plan. The business plan has a number of key initiatives that support the long term corporate strategy and a number of interim deliverables or milestones, most of which are delegated to the executive team. These delegated deliverables become the executive team's deliverables, for which they identify and delegate, as appropriate, interim deliverables. The business planning process follows this cascading approach down to all managerial positions.

The BPR system provides a framework to ensure that executive and managerial positions are working in concert to move Capital Power in the desired direction, ultimately focused on supporting our overall vision and corporate strategy.

The STIP provides competitive annual bonuses that reflect corporate and individual performance against business plan deliverables. Corporate measures focus on corporate results and create joint accountability among the executives. Individual performance objectives allow for the differentiation of payouts based on individual contributions. Individual performance is assessed relative to how well each executive meets their annual individual deliverables in their business plan.

The LTIP promotes a focus on increasing our share price in both absolute and relative terms. In absolute terms, share performance directly affects the value that executives can realize from their share unit and stock option holdings. In relative terms, higher or lower share performance relative to that of our performance peer group will result in higher or lower payouts from PSU holdings. This emphasis on longer-term performance, with the value directly tied to share price, is intended to align executive interests with those of our shareholders over a longer time horizon. Adhering to the business plans and accomplishing the key initiatives that support our corporate strategy can result in appreciation in our share price.

Risk management

The board establishes acceptable levels of risk, and these govern our business decisions and risk management policies. Compensation risk is factored into every compensation decision or recommendation the committee makes to ensure decisions and actions are consistent with our policies and practices and appropriate based on market conditions and peer practices. The committee also conducts a compensation risk assessment every November. It reviews our compensation structure, policies and practices and the key risks affecting our business and independent power producers generally, and presents its findings to the board.

The committee looked at risk in the following key areas in 2015, and concluded that none of our current compensation practices are reasonably likely to have a material adverse effect on Capital Power. The table below describes the findings in more detail:

Operations risk	• We mitigate operations risk by using a combination of measures and weights to assess corporate performance under the short-term incentive plan. • *Funds from operations* (FFO) is the primary measure under the annual incentive plan (50% weighting for executives in 2015). • Performance is also assessed using plant specific measures, like successful maintenance outages or other activities that support plant availability.
Acquisition and development risk	• Business development activities may not affect the FFO in the years the activities are specifically undertaken, but it will affect FFO in each of the following years. FFO discourages the acquisition or development of plants that will not make a strong contribution to our results. • Annual performance measures for our business development employees relate to the quality of business acquisitions, as measured by accretion to our earnings per share attributable to each acquisition or development project.

Derivatives and energy trading risk	• We manage our exposure to electricity, natural gas and foreign exchange spot prices:
	  • Members of our commodity portfolio management team (CPM) participate in a separate short-term incentive payment program (MSTIP) so we can attract and retain this specialized skill and ensure that compensation for traders is competitive with the commodity trading market. MSTIP participants earn higher incentives for superior performance and a smaller award for inferior performance. They share a portion of value created by the team (defined as EBITDA in excess of budgeted targets measured against defined increments). CPM management conducts individual and team performance assessments and allocates an award in accordance with a formula based on each participant's target incentive percentage, the year-end EBITDA variance to budget, and individual performance ratings.
	• Risk taking is limited:
	  • Value creation is capped, and the components used to determine the profit are reviewed by our finance and commodity risk management departments.
	  • The SVP, Corporate Development and Commercial Services and Vice President, CPM do not participate in MSTIP. They participate in the annual short-term incentive plan (FFO is the primary measure for corporate performance) and the LTI plan, which has a longer-term focus.
	  • The commodity risk management group reviews all trades and reports directly to the CFO, and participates in the short-term incentive plan. Participants have individual performance measures related to managing the risks associated with commodity trading.

Disclosure risk	• Each individual who contributes directly to our public disclosure has a personal performance measure to avoid any material restatement. • Each member of the management team must certify quarterly that he or she has disclosed to their executive (for senior managers) or the board (for executives) every significant event or condition that could materially affect Capital Power or our results and updated them appropriately. • Our incentive claw back policy applies to everyone at Capital Power.

To further mitigate compensation risk, the board adopted two key policies on compensation risk in 2011 on the committee's recommendation. These policies are contained in our Corporate Governance Policy which can be found on our website (www.capitalpower.com).

Anti-hedging policy

Our anti-hedging policy prohibits insiders from engaging in trading activities that would allow them to benefit from a decrease in the value of our securities. It also prohibits employees and directors from encumbering their shares.

Incentive claw back policy

The incentive claw back policy allows us to recoup incentive compensation awards in certain situations.

All executives must reimburse us their incentive compensation, regardless of individual wrongdoing, if we have to restate our financial and other results and it leads to a lower payment than otherwise would have been made. Other employees must reimburse us if they were involved in misconduct contributing to the need to restate our financial or other results.

Any reimbursement is in addition to any legal actions taken by Capital Power, law enforcement agencies or regulators.

The committee also considers risk when making any compensation recommendation to the board, and can use its discretion to adjust payout levels for the compensation plans and for individuals.

COMPENSATION DECISIONS FOR 2015

The board, on the committee's recommendation, approved the following decisions on executive compensation for performance in 2015.

Base salary

The base salary for Jacquelyn Pylypiuk, Vice President, Human Resources, increased by 10.6% (compounded) in 2015: 4.25% by way of the management base salary adjustment (merit-based) program in March 2015 while still holding the position of Senior Manager; and, an additional 6.1% in December 2015 to recognize her promotion to the position of Vice President. Based on management's executive compensation review, the base salaries of the other named executive officers were considered to be competitively positioned and were unchanged in 2015.

Following the annual review of the market competitiveness of our base salaries relative to our peers in November 2015, Management determined that the named executive officers will not receive a base salary adjustment in 2016.

2015 STIP award

	Base salary		Target incentive		Corporate performance results(1) + Individual performance results		2015 STIP award
Brian Vaasjo	$725,000	x	75%	x	(70% + 45%)	=	$625,313
Bryan DeNeve	$330,000	x	55%	x	(70% + 45%)	=	$208,725
Darcy Trufyn	$340,000	x	55%	x	(70% + 60%)	=	$243,100
Kathryn Chisholm	$320,000	x	50%	x	(70% + 60%)	=	$208,000
Jacquelyn Pylypiuk	$197,863	x	25%	x	(70% + 30%)	=	$49,466

Note:

(1) The short term incentive plan component of compensation is the result of a performance evaluation of each executive which formulaically produces a suggested payout. In reflection of share price performance and the generally challenging environment facing Capital Power in 2015, the board exercised its discretion to reduce the compensation suggested by this formula to the amounts stated above.

- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO. Mr. Lee forfeited his 2015 STIP award when he resigned from Capital Power.

Corporate performance

Performance measure	Weighting	Target	Result	Performance assessment
Financial				
Funds from operations (FFO) • cash provided by operating activities (IFRS-defined term), less changes in operating working capital	50%	$393 million	$400 million	Above target
Corporate Strategic Objective				
Advancement of the Genesee 4 & 5 Project a measurement of progress as identified in the 2015 project plan	10%	Achieve project plan and strategy	Achieved	Target
Corporate safety				
Health, Safety & Environment (HSE) Index • a measurement of safe, healthy and environmentally accountable work performance. Utilizes a weighted combination of five (5) leading indicators and two (2) lagging indicators	10%	1.00	1.13	Above target

Individual performance

Named executive	Business objectives rating	Comments
Brian Vaasjo President and CEO	Frequently Exceeds Expectations	Mr. Vaasjo achieved Frequently Exceeds Expectations on his 2015 Individual Measures. Measures relating to maintenance, capital expenditures, general and administrative costs, plant operations, institutional ownership, safety and environment were all exceeded. Strategic initiatives relating to the development of Genesee 4 & 5, maintaining the Alberta Market Structure, completion of major projects were generally met or exceeded. Significant changes at the Executive level were very well managed.
Bryan DeNeve Senior Vice President Finance and CFO	Frequently Exceeds Expectations	Mr. DeNeve achieved Frequently Exceeds Expectations on his 2015 Individual Measures. Measures associated with costs in his areas of responsibility, timing of quarter end closings, investor relations and eliminating the reporting of CPILP, all exceeded expectations. Mr. DeNeve's effective transition from SVP, Corporate Development and Commercial Services has exceeded expectations.
Darcy Trufyn Senior Vice President Operations, Engineering and Construction	Outstanding	Mr. Trufyn achieved outstanding results on his 2015 Individual Measures. Maintenance, capital, plant performance, safety and environment results, all exceeded expectations. Major projects generally came in better than targets. Concluded very successful negotiations with supplier on CBEC failure and increased Genesee 3 efficiency by 2 to 3%.
Kathryn Chisholm Senior Vice President Legal and External Relations	Outstanding	Ms. Chisholm achieved Outstanding on her 2015 Individual Measures. Regulatory and government relations advocacy efforts were very effective in 2015. In particular, the influence on the new Alberta government on climate change was impactful. Litigation files were closed in favor of Capital Power. Cost measure results for her areas of responsibility also exceeded expectations.
Jacquelyn Pylypiuk Vice President Human Resources	Fully Successful	Ms. Pylypiuk achieved Fully Successful on her 2015 Individual Measures. Targets relating to cost were exceeded. Leadership in a company-wide reduction in staff was very effective. Ms. Pylypiuk's transition to this new role has gone well.

Payment of 2013 PSU awards

PSU awards are at-risk compensation. The named executives realized 50% of the grant value of the 2013 PSU awards when they vested on January 1, 2016.

	# of PSUs	Payout multiplier	Share price	Payout
	2013 grant plus reinvested dividends (#)	based on relative TSR (%)	Volume-weighted average on the TSX for thirty trading days preceding January 1, 2016 ($)	realized value ($)
Brian Vaasjo	30,439	50	16.86	256,592
Bryan DeNeve	5,548	50	16.86	46,011
Kathryn Chisholm	5,945	50	16.86	50,108
Darcy Trufyn	6,042	50	16.86	50,934
Jacquelyn Pylypiuk	N/A	N/A	N/A	N/A

Note:

- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO. Mr. Lee forfeited his 2013 PSU award when he resigned from Capital Power.
- Jacquelyn Pylypiuk did not hold PSUs granted in 2013 because she was not eligible for a LTI grant that year.

Relative TSR

TSR measures the change in value of an investment over a period of time, representing the return that an investor receives from changes in share price and dividends paid.

We calculated TSR for the period ending December 31, 2015 for the 2013 PSU grant as follows:

- Starting and ending share price – share price is the simple average closing share price of the 30 trading days prior to the start and end of the measurement period, which reduces the possible impact of short-term share price fluctuations at the beginning and end of the performance period. For the 2013 PSU grant we calculate the starting share price from November 16, 2012 to December 31, 2012 and the ending share price from November 18, 2015 to December 31, 2015.
- Reinvested dividends – dividends are reinvested on the dividend payment date.
- Performance peer group – the following 12 companies were used to measure our TSR performance for the 2013 PSU grant:

Algonquin Power & Utilities	Fortis Inc.
AltaGas	Innergex Renewable Energy
Atlantic Power Corporation	Northland Power
Brookfield Renewable Energy Partners LP	TransAlta
Canadian Utilities Limited	TransCanada
Emera Inc.	Veresen

Our TSR was -8.7%, which was below the 25th percentile of -0.8%. This resulted in a payout multiplier of 50%.

See Performance share units on page 46.

2016 LTI award

The board approved a grant of PSUs and stock options, effective as of March 1, 2016, to the named executives and other eligible participants.

Based on a review of the LTI targets against market competitive data for our peers, the CGC&N Committee approved increases to the LTI targets of three named executive officers to coincide with the 2016 grant. Those impacted are:

- Senior Vice President Finance and CFO (increased from 110% to 135%)
- Senior Vice President, Operations, Engineering and Construction (increased from 110% to 130%)
- Vice President, Human Resources (increased from 30% to 50%)

PSUs will vest on January 1, 2019 and the realized value will depend on our relative TSR against the performance peer group and our volume-weighted average closing share price on the 30 trading days preceding the vesting date.

The realized value of the option award depends on our share price over time and when the executive exercises the options. Options vest one third each year beginning on the first anniversary of the grant date and expire after seven years.

Look back analysis

Executive compensation includes cash and equity-based compensation with terms varying from one year for annual base salary and the short-term incentive plan, and from three to seven years for our long-term incentives.

Compensation under our incentive programs is variable, or at-risk, to motivate executives to deliver strong corporate and individual performance. Equity-based compensation also adds another element of risk and motivation because executives can realize a higher value of their long-term incentives the stronger our shares perform over time.

The table below gives a compensation look back for Brian Vaasjo, our President and CEO, since our inception. It compares the grant date value of compensation awarded to Brian Vaasjo for his performance as President and CEO with the actual value that he has received from his compensation during his tenure.

On a weighted average basis over the cumulative period of 2009 to 2015, Mr. Vaasjo has realized 29**%** less than the expected amount of the compensation that the committee intended to award him while the shareholder's investment has been eroded by 8%. The value changes ranged from -40% to -20% for Mr. Vaasjo and from -28% to +10% for the shareholder.

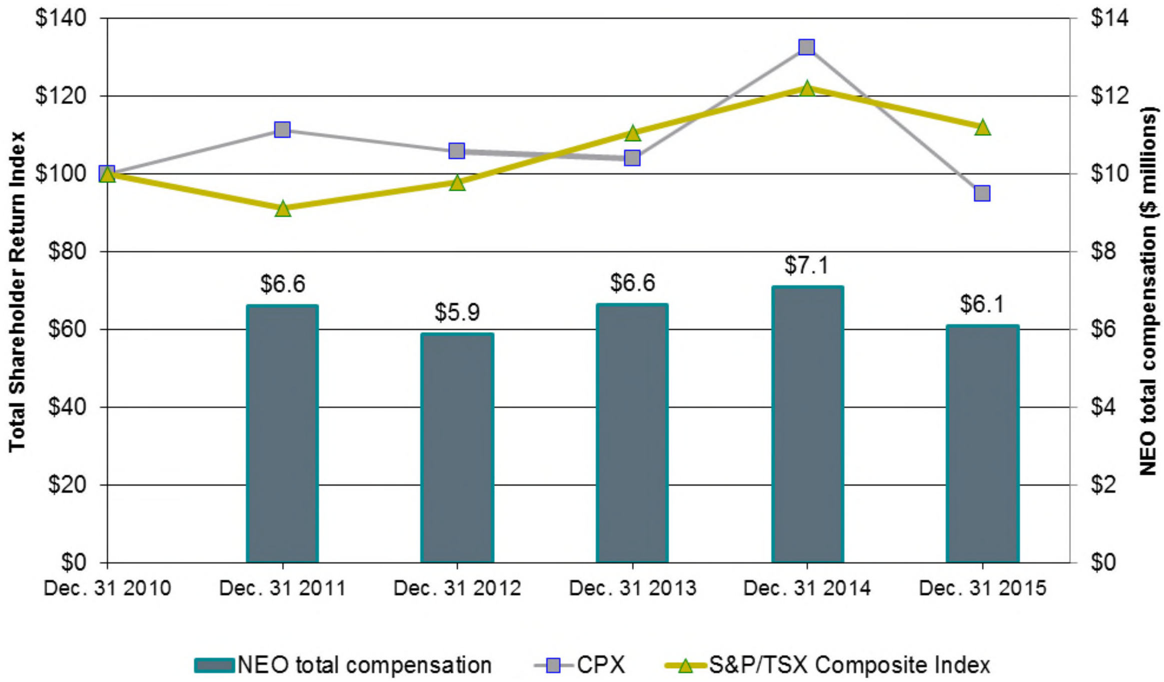
	Target total direct compensation(1)	Total direct compensation awarded(2)	Actual total direct compensation value as of December 31, 2015(3)	Value of $100		
				Period	Mr. Vaasjo(4)	Shareholder(5)
2009	$1,748,132	$1,770,055	$1,159,423(6)	Jun 25/09 to Dec 31/15	$66	$104
2010	$2,020,000	$2,170,731	$1,638,692	Jan 1/10 to Dec 31/15	$75	$110
2011	$2,165,750	$2,556,592	$1,959,321	Jan 1/11 to Dec 31/15	$77	$95
2012	$2,283,750	$2,148,072	$1,710,675	Jan 1/12 to Dec 31/15	$80	$85
2013	$2,283,750	$2,511,620	$1,767,062	Jan 1/13 to Dec 31/15	$70	$90
2014	$2,589,370	$2,643,606	$1,769,120	Jan 1/14 to Dec 31/15	$67	$91
2015	$2,449,511	$2,531,074	$1,530,874	Jan 1/15 to Dec 31/15	$60	$72
				Weighted average(7)	$71	$92

Notes

(1) Includes salary, short-term incentive and long-term incentives as if paid at target.
(2) Includes salary, actual short-term incentive in respect of performance during the year, and grant date fair value of long-term incentives awarded.
(3) Includes salary, actual short-term incentive, the value at maturity of share units granted (or current value for units that are outstanding), the value of stock options exercised during the period, and the in-the-money value of stock options that remain outstanding. Share units and options are valued at the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share.
(4) Represents the actual value to Mr. Vaasjo for each $100 awarded in total direct compensation during the fiscal year indicated.
(5) Represents the cumulative value of a $100 investment in common shares made on the first trading day of the period indicated, including reinvested dividends.
(6) Mr. Vaasjo received 237,900 stock options in July 2009 at the grant price of $23.00, which are all "under water" based on the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share. In order for Mr. Vaasjo to receive any value from these stock options, the share price will have to increase 30% from the year-end price before the expiry date. This is not anticipated to occur.
(7) The weighted average for Mr. Vaasjo and the shareholder has been calculated using the "Total direct compensation awarded" as the common multiplier.

SHARE PERFORMANCE

The following graph compares the annual change in the cumulative total shareholder return on our common shares to the cumulative total return on the S&P/TSX Composite Index and total compensation paid to our named executives. The calculation for the 5-year period assumes an investment of $100 in our common shares (CPX) on December 31, 2010 and the reinvestment of dividends.



	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015
Capital Power (CPX)	$100	$111	$106	$104	$132	$95
S&P/TSX Composite Index	$100	$91	$98	$111	$122	$112

Total compensation as shown in the graph and in the summary compensation table is the sum of the following elements:

- base salary
- short-term incentive
- grant date fair value of long-term incentive awarded
- pension
- all other compensation.

Executive compensation will be affected by our share performance over the long term because a significant portion is equity based, aligning the interests of executives and shareholders. While the grant date fair value of our stock option and share unit grants do not vary with corporate or share performance, award payouts are directly tied to our share performance.

- For stock options and share units, there is a direct correlation between our share price performance and the actual gains realized by our executives.
- For PSUs, there is an additional factor of performance relative to that of our peer group which will result in higher or lower payments.

This relationship is illustrated in the CEO look back analysis (see previous section) where the actual value earned through the various compensation elements shows an alignment with our shareholder returns.

2015 details

SUMMARY COMPENSATION TABLE

The table below shows the compensation each named executive received for the fiscal years ended December 31, 2015, 2014, and 2013. Brian Vaasjo does not receive compensation as a director of Capital Power.

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-Equity incentive plans (Annual) ($)	Pension value ($)	All other compensation ($)	Total compensation ($)
Brian Vaasjo President and CEO	2015	752,885	590,378	590,384	625,313	139,343	89,783	2,788,086
	2014	725,000	650,901	669,719	597,986	168,706	82,244	2,894,556
	2013	725,000	507,500	507,500	771,620	138,760	84,567	2,734,947
Bryan DeNeve Senior Vice President, Finance and CFO	2015	342,692	173,886	173,881	208,725	49,567	52,120	1,000,871
	2014	324,615	130,969	134,761	199,603	248,068	49,652	1,087,668
	2013	301,923	91,000	91,000	197,961	224,737	48,074	954,695
Darcy Trufyn Senior Vice President, Operations, Engineering and Construction	2015	353,077	179,161	179,151	243,100	14,340	89,289	1,058,118
	2014	334,615	135,185	139,106	205,652	12,465	65,737	892,760
	2013	317,308	100,750	100,750	227,051	12,135	64,118	822,112
Kathryn Chisholm Senior Vice President, Legal and External Relations	2015	332,308	137,960	137,957	208,000	58,256	52,060	926,541
	2014	320,000	135,185	139,106	199,959	143,697	49,601	987,548
	2013	315,962	99,125	99,125	168,841	111,051	48,945	843,049
Jacquelyn Pylypiuk Vice President, Human Resources	2015	203,768	40,903	13,637	49,466	10,188	14,986	332,948
	2014	200,022	42,334	14,527	58,675	10,001	5,417	330,976
	2013	129,800	–	–	–	2,365	3,239	135,404
Stuart Lee *Former* Senior Vice President, Corporate Development and Commercial Services	2015	273,942	239,744	239,747	–	93,702	37,845	884,980
	2014	385,000	243,982	251,044	232,871	78,029	52,476	1,243,402
	2013	382,308	187,500	187,500	300,488	166,804	52,518	1,277,118

Notes

- Share-based awards values represent accounting fair value of PSUs for all NEOs except Jacquelyn Pylypiuk, whose total includes PSUs and RSUs.
- Jacquelyn Pylypiuk was not eligible for short term incentive in 2012 (paid in 2013) or a LTI grant in 2013.
- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO.

Salary
The named executive officers will not receive a base salary adjustment in 2016.

Share-based awards
Starting with the 2015 grant, amounts are the grant date fair value of the PSU awards consistent with the accounting valuation and in accordance with IFRS. Previously, amounts were based on Towers Watson's binomial lattice valuation methodology, discounted for the vesting restrictions and adjusted for the payout range. Towers Watson's competitive market analyses were conducted using consistent methodologies.

The table below shows the difference between the grant date fair value and the accounting fair value reported in our financial statements:

	2015	2014	2013	
	Accounting	Accounting	Binomial lattice	Accounting
Fair value	$25.73	$23.48	$19.92	$23.16

Option-based awards
Starting with the 2015 grant, amounts are the grant date fair value of the option awards consistent with the accounting valuation and in accordance with IFRS. Previously, amounts were based on Towers Watson's binomial lattice valuation methodology. While this methodology is similar to the one used to calculate the accounting fair value reported in our financial statements, some of the underlying assumptions are different, as shown in the table below. We adopted a minimum option valuation factor of 12% (of grant value) in 2013 and 15% in 2014 and 2015. The minimum was increased in 2014 to reflect the change in valuation methodologies. The actual fair values in 2013, 2014 and 2015 were less than the minimum; therefore, the minimum was adopted for all three grants.

	2015	2014		2013
	Accounting	Accounting	Binomial lattice	Accounting
Volatility	15.4%	15.2%	15.96%	14.4%
Dividend yield	5.27%	5.08%	5.45%	5.79%
Expected life	4.5 years	4.5 years	4.5 years	4.5 years
Risk-free rate	1.29%	1.85%	1.35%	1.25%
Vesting discount	0%	0%	5% per year	0%
Fair value	$3.73	$3.72	$2.61	$1.31

Accounting Value Comparison
We changed our equity valuation methodology beginning in 2014, which resulted in an increase in the overall fair value of the share-based and option-based awards. This makes it difficult to make comparisons between each of 2014 and 2015 and 2013 where the values were based on different methodologies. For comparison purposes, a supplemental table for the President and CEO is provided below which shows the grant date fair values for share-based and option-based awards for 2015, 2014, and 2013 using the 2014 methodology as described above.

					Non-equity incentive plan compensation				
Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Annual incentive plans ($)	Long-term incent ive plans ($)	Pension value ($)	All other compensation ($)	Total compensation ($)
Brian Vaasjo	2015	752,885	590,378	590,384	625,313	–	139,343	89,783	2,788,086
President and CEO	2014	725,000	650,901	669,719	597,986	–	168,706	82,244	2,894,556
	2013	725,000	554,445	596,029	771,620	–	138,760	84,567	2,870,421

The following table summarizes the history of share-based and option-based awards for the President and CEO. While the fair value of the award increases as a result of the methodology changes, it did not result in a corresponding percentage increase in the number of units awarded.

	Share price at grant ($)	Option-based awards		Share-based awards	
		Number granted	% change	Number granted	% change
2015	24.88	158,195	-12%	23,729	-10%
2014	24.80	180,032	-1%	26,246	+3%
2013	21.76	182,607	-21%	25,480	+5%

Non-equity incentive plans
Annual

- Amounts are the actual STIP awards earned for that year and paid in March of the following year.
- Stuart Lee resigned from Capital Power on August 28, 2015. Prior to May 1, 2015, Mr. Lee held the position of Senior Vice President, Finance and CFO. Mr. Lee forfeited his 2015 STIP award when he resigned.

Long-term
Capital Power does not have a long-term non-equity incentive plan.

Pension value
- 2015 pension value represents compensatory changes from January 1, 2015 to December 31, 2015. The 2015 pension value reflects changes in the obligation due to actual salary experience during 2015 and includes service cost based on a 4.50% increase in pensionable earnings for 2015 and a 4.25%per annum increase thereafter.
- 2014 pension value represents compensatory changes from January 1, 2014 to December 31, 2014. The 2014 pension value reflects changes in the obligation due to actual salary experience during 2014 and includes service cost based on a 3.75% increase in pensionable earnings for 2014 and a 4.25%per annum increase thereafter.
- 2013 pension value represents compensatory changes from January 1, 2013 to December 31, 2013. The 2013 pension value reflects changes in the obligation due to actual salary experience during 2013 and includes service cost based on a 4.50% increase in pensionable earnings for 2013 and a 4.25% per annum increase thereafter.

All other compensation
2015 amounts include:
- an executive business allowance of $25,962 and employer contributions to the savings plan of $37,644 for Brian Vaasjo
- an executive benefit allowance of $14,538, an executive business allowance of $15,577 and employer contributions to the savings plan of $17,135 for Bryan DeNeve
- an executive benefit allowance of $14,538, an executive business allowance of $15,577 and employer contributions to the savings plan of $17,654 for Darcy Trufyn
- an executive benefit allowance of $14,538, an executive business allowance of $15,577 and employer contributions to the savings plan of $16,616 for Kathryn Chisholm
- employer contributions to the savings plan of $10,189 for Jacquelyn Pylypiuk
- an executive benefit allowance of $9,885 an executive business allowance of $10,591 and employer contributions to the savings plan of $13,697 for Stuart Lee

Darcy Trufyn received a payment of $15,235 on July 3, 2015 that represents an entitlement under the defined contribution component of the Capital Power Supplemental Retirement Plan for service accrued in 2014. The payment attributed to service in 2015 which has not yet been paid is $21,233.

INCENTIVE PLAN AWARDS

Outstanding share based and option based awards

The table below shows each named executive's outstanding incentive plan awards as of December 31, 2015.

					Option-based awards		Share-based awards	
Name	Grant date	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Market value or payout value of vested share-based awards not paid out or distributed ($)
Brian Vaasjo	July 08/09	237,600	23.00	July 08/16	-			-
	March 09/10	171,060	22.50	March 09/17	-			-
	March 21/11	206,591	24.90	March 21/18	-			-
	March 26/12	231,701	24.27	March 26/19	-			-
	March 14/13	182,607	21.76	March 14/20	-	30,439	270,451	-
	March 12/14	180,032	24.80	March 12/21	-	29,537	209,949	-
	March 04/15	158,195	24.88	March 04/22	-	25,403	0	-
Bryan DeNeve	July 08/09	33,700	23.00	July 08/16	-			-
	March 09/10	11,086	22.50	March 09/17	-			-
	March 21/11	35,929	24.90	March 21/18	-			-
	March 26/12	35,611	24.27	March 26/19	-			-
	March 14/13	32,743	21.76	March 14/20	-	5,458	48,494	-
	March 12/14	36,266	24.80	March 12/21	-	5,943	42,243	-
	March 04/15	46,592	24.88	March 04/22	-	7,482	0	-
Darcy Trufyn	March 09/10	31,580	22.50	March 09/17	-			-
	March 21/11	38,474	24.90	March 21/18	-			-
	March 26/12	39,617	24.27	March 26/19	-			-
	March 14/13	36,252	21.76	March 14/20	-	6,042	53,683	-
	March 12/14	37,394	24.80	March 12/21	-	6,134	43,600	-
	March 04/15	48,004	24.88	March 04/22	-	7,709	0	-
Kathryn Chisholm	July 08/09	84,700	23.00	July 08/16	-			-
	March 09/10	28,528	22.50	March 09/17	-			-
	March 21/11	42,665	24.90	March 21/18	-			-
	March 26/12	43,772	24.27	March 26/19	-			-
	March 14/13	35,667	21.76	March 14/20	-	5,945	52,821	-
	March 12/14	37,394	24.80	March 12/21	-	6,134	43,600	-
	March 04/15	36,966	24.88	March 04/22	-	5,936	0	-
Jacquelyn Pylypiuk	March 12/14	3,905	24.80	March 12/21	-	1,920	19,713	-
	March 04/15	3,654	24.88	March 04/22	-	1,759	6,948	-

Notes

- Share-based awards number and market payout value includes PSUs for all named executive officers except for Jacquelyn Pylypiuk, whose total includes PSUs and RSUs.
- Stuart Lee received stock options from grants made in 2009 to 2015 and PSUs from grants made in 2013 to 2015. Following his resignation, no value was realized from these grants as his stock options expired underwater and his PSUs were forfeited.
- Value of unexercised in-the-money options — the greater of zero dollars or the difference between the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share and the option exercise price, times the number of outstanding vested and unvested stock options.
- Number of shares or units of shares that have not vested — includes reinvested dividends.
- Market or payout value of share-based awards that have not vested — the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share multiplied by the number of PSUs and RSUs that have not vested. The values in this column represent RSUs pro-rated for time elapsed in the 3-year term, and the minimum payout value (or 50% floor) for the 2013 PSUs. The PSU grants of 2014 and thereafter have an earned payout value corresponding to the performance multiplier for completed performance periods, as detailed in the table below:

Grant	Tranche 1	Tranche 2
2014	20% weight x 200% TSR result = 40%	20% weight x 0% TSR result = 0
2015	20% weight x 0% TSR result = 0%	N/A

Notes

- *Market value or payout value of vested share-based awards not paid out or distributed* — on December 31, 2015 no PSUs had vested. The named executives realized 50% of the grant value of the 2013 PSU awards when they vested on January 1, 2016. Therefore no PSU awards that have vested have not been paid or distributed.

Incentive plan awards – value vested or earned during the year

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Brian Vaasjo	215,821	577,603	625,313
Bryan DeNeve	37,807	88,752	208,725
Darcy Trufyn	41,706	98,754	243,100
Kathryn Chisholm	42,019	109,120	208,000
Jacquelyn Pylypiuk	273	n/a	49,466
Stuart Lee	79,132	204,849	n/a

Notes

- *Jacquelyn Pylypiuk* – Ms. Pylypiuk did not hold PSUs granted in 2013 because she was not eligible for a LTI grant that year.
- *Stuart Lee* – Mr. Lee received stock options from grants made in 2009 to 2015 and PSUs from grants made in 2013 to 2015. Following his resignation, no value was realized from these grants as his stock options expired underwater and his PSUs were forfeited.
- *Option-based awards* – Value vested during the year — the difference between the closing price of our common shares on the TSX on the respective vesting date and the option exercise price of the respective option grant, multiplied by the number of stock options that vested during the year.
- *Share-based awards* – Value vested during the year — values shown are 2012 PSU awards that vested on January 1, 2015 and were paid to the named executives on February 27, 2015.
- *Non-equity incentive plan compensation* – Value earned during the year — values shown are STIP awards. Capital Power does not have a long-term non-equity incentive plan.

Stock options

None of the named executives exercised any stock options in 2015.

EQUITY COMPENSATION PLANS

We adopted our two equity compensation plans for executives and employees — the 2009 plan and the LTI plan — before our initial public offering in 2009 and did not need shareholder approval under the TSX requirements. The initial public offering prospectus disclosed the two equity compensation plans.

At our 2012 annual meeting, shareholders approved an increase in the maximum number of shares reserved for issue under the two stock option plans. The limit is 7,094,506 (increased from 5,000,000 in 2012), representing approximately 7.3% of the common shares outstanding and common shares that can be issued for the exchange of exchangeable units as at December 31, 2015. The board estimates that the current share reserve will allow future grants of stock options until the end of 2017.

Of the total number of common shares that can be issued under the LTIP plan, 671,804 options were issued under the current LTI plan in 2015. No further options may be issued under the 2009 plan.

The table below gives details about the equity compensation plans as at December 31, 2015. Common shares outstanding is the number of common shares outstanding and common shares that may be issued to exchange outstanding exchangeable LP units.

Plan category	Number of securities to be issued upon exercise of outstanding stock options (a)		Weighted average exercise price of outstanding stock options (b)	Number of securities remaining available for future issue (excluding securities reflected in column (a)) (c)		Total stock options outstanding and available for grant (a) + (c)	
	% of common shares outstanding	#		% of common shares outstanding	#	% of common shares outstanding	#
Equity compensation plans approved by security holders	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Equity compensation plans not approved by security holders	3.7%	3,708,838	$23.90	1.7%	1,635,197	5.4%	5,344,035
Total	3.7%	3,708,838	$23.90	1.7%	1,635,197	5.4%	5,344,035

Note

- Stock options were granted for 2,183,100 common shares under the 2009 plan, and 6,278,750 common shares under the current LTI plan for a total of 8,461,850 options. Of the total granted under the two plans, stock options for 3,002,541 common shares have been cancelled or expired, and stock options for 1,750,471 common shares have been exercised.

The table below shows the stock option overhang, dilution and run rate. See Stock options on page 48 for details.

Rate	Description	2015	2014	2013
Overhang	• the total potential dilution from stock options • the total number of stock options outstanding plus the number of shares available for future issue, divided by the number of common shares outstanding and common shares that may be issued to exchange outstanding exchangeable LP units	5.35%	5.37%	5.47%
Dilution	• the current dilution from stock options • the total number of stock options outstanding divided by the number of common shares outstanding and common shares that may be issued to exchange outstanding exchangeable LP units	3.71%	3.72%	3.07%
Run rate	• shows the size of annual stock option grants and indicates how quickly the stock option reserve is being used • the total number of stock options issued in a year, divided by the number of common shares outstanding and common shares that may be issued to exchange outstanding exchangeable LP units	0.67%	0.72%	0.75%

The Company regularly monitors dilution levels and, where warranted, will consider changes to the LTI program award mix to manage the situation.

The table below is a summary of the stock options granted by the board and run rate since our inception:

Year	Number of common shares to be issued for stock options previously granted	As a percentage of common shares outstanding and common shares to be issued on exchange of outstanding exchangeable LP units at year-end (run rate)
2009	2,183,100	2.79% (one-time grant in 2009)
2010	1,246,046	1.59%
2011	1,445,457	1.65%
2012	1,449,568	1.48%
2013[1]	740,304	0.75%
2014	725,571	0.72%
2015	671,804	0.67%

[1] In November 2012, the committee approved a change to the mix of LTIs for the 2013 award at the management level to better manage dilution and reduced the targeted value in stock options to 25% (from 50%).

Copies of the plan documents are available on SEDAR (www.sedar.com). See also Stock options on page 48.

RETIREMENT BENEFITS

Pension and other benefits help provide long-term financial security and retain executives.

We have a defined benefit plan and a defined contribution plan for Canadian employees. US employees may participate in our 401(k) plan.

Canadian management employees are also eligible to participate in our supplemental retirement plan if their pension benefits under either plan are limited because of the maximum pension or contribution limits defined in the *Income Tax Act* (Canada) (Income Tax Act).

Defined benefit plan

Our defined benefit plan is the Local Authorities Pension Plan (LAPP), a multi-employer, contributory pension plan for employees of municipalities, hospitals and other public entities in Alberta, governed by the Public Sector Pension Plans Act (Alberta) and subject to the limits of the Income Tax Act. Brian Vaasjo, Bryan DeNeve, Kathryn Chisholm and Stuart Lee participate in this plan.

Benefits are based on the average of the best five consecutive years of pensionable earnings and years of service. Pensionable earnings are equal to base salary plus actual bonus, up to a maximum of 20% of base salary (beginning January 1, 2004) limited for each year of service after 1991 to the maximum annual accrual under the Income Tax Act.

The benefit formula is 1.4% of the average of the best five consecutive years' annual pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, plus 2% of the average of the best five consecutive years' annual pensionable earnings in excess of the five-year average YMPE. The benefit formula is multiplied by years of service up to a maximum of 35 years.

Employee and employer contribution rates are explained in the plan rules, and adjusted from time to time by the plan's board of trustees based on recommendations from the plan's actuary.

In 2015, members were required to contribute 10.39% up to the YMPE plus 14.84% of pensionable earnings in excess of the YMPE, and employers contributed 11.39% up to the YMPE and 15.84% of pensionable earnings in excess of the YMPE.

Participants can receive an unreduced pension when they turn 65 or have 85 points (age plus years of service). The pension is reduced by 3% for each year that the combination of the individual's age and years of service is less than 85 or for each year the participant is younger than 65, whichever provides the lower reduction. No pension is paid if a participant has not completed two years of service.

The pension is indexed annually to 60% of the increase in the Alberta consumer price index.

The table below shows the reconciliation of the accrued benefit obligation for each named executive. The compensatory change reflects:

- the current employer service cost for the supplemental retirement plan (SRP)
- any change in the SRP obligation because of an unexpected increase in compensation during the period
- any change in the obligation because of plan changes
- changes in employer contributions.

The actual increase in compensation may be different from the expected increase used in actuarial assumptions, and will also vary among the named executives and from year to year.

Name (a)	Number of years of credited service (#) (b)	Annual benefits payable ($) At year end (c1)	Annual benefits payable ($) At age 65 (c2)	Opening present value of defined benefit obligation ($) (d)	2015 Compensatory changes ($) (e)	2015 Non-compensatory changes ($) (f)	Closing present value of defined benefit obligation ($) (g)
Brian Vaasjo	17.5577	404,565	521,339	5,018,133	139,343	307,095	5,442,084
Bryan DeNeve	13.2922	108,314	227,147	1,386,298	49,567	(70,886)	1,342,492
Kathryn Chisholm	11.2615	96,335	202,213	1,070,212	58,256	(7,973)	1,098,008
Stuart Lee	12.0611	135,507	n/a	1,534,291	93,702	(298,662)	1,313,507

Notes

(b) Number of years of credited service

- Brian Vaasjo — the amount reflects credited service under the LAPP and 16 years of credited service under the SRP.
- Bryan DeNeve— the amount reflects credited service under the LAPP and SRP.
- Kathryn Chisholm – the amount reflects credited service under the LAPP and SRP. The credited service under the SRP is 11.3142 years.
- Stuart Lee – Mr. Lee's employment with Capital Power terminated on August 28, 2015 with 12.1025 years of credited service under the SRP at his termination date.

Annual benefits payable

- (c1) At year end — Accrued Defined Benefit pension under the LAPP and SRP as at December 31, 2015 and payable at normal retirement age of 65 based on highest average earnings, average YMPE and pensionable service as at December 31, 2015. An unreduced pension is payable at the earliest of age 65 or 85 points.
- (c2) At age 65 — the amount payable on retirement at age 65, assumes continued service accrual to age 65 and that the highest average earnings and estimated CPP, at age 65, remain unchanged from December 31, 2015.
- Stuart Lee – Mr. Lee's employment with Capital Power terminated on August 28, 2015 with 12.1025 years of credited service under the SRP at his termination date.

(d) Opening present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

(e) 2015 Compensatory changes

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).
- Includes $15,824 in LAPP employer contributions for Mr. Lee and $22,487 in LAPP employer contributions for all other NEOs.

(g) Closing present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

Defined contribution plan

Contributions to the defined contribution plan are based on pensionable earnings up to the annual limits imposed under the Income Tax Act. Participants contribute 5% of pensionable earnings, and Capital Power contributes 5%, 6.5% or 8% of pensionable earnings depending on the participant’s years of service.

Darcy Trufyn and Jacquelyn Pylypiuk participate in this plan. The following table is a reconciliation of the accumulated value as at the end of the last two years. The compensatory change is the employer contribution we made on his behalf.

Name (a)	Accumulated value at Dec 31, 2014 ($) (b)	2015 Compensatory changes ($) (c)	Accumulated value at Dec 31, 2015 ($) (d)
Darcy Trufyn	165,353	14,340	189,032
Jacquelyn Pylypiuk	27,020	10,188	48,273

The plan was amended in late 2010 to allow executive participants to suspend their membership and transfer the account balance to a locked-in retirement savings vehicle. We pay a lump sum equivalent to what would have been paid into the plan if they had continued to participate, after deducting any payroll withholding or other taxes.

Executive participants have the right to resume participation in the plan in the future. Company contributions will also resume, but only for future service as of the date the suspension is lifted.

Supplemental retirement plan

All of the named executives participate in our supplemental retirement plan (SRP), which is non-registered, unfunded and non-contributory. It provides benefits that cannot be provided under our Canadian pension plans because of maximum pension or contribution limits under the Income Tax Act.

Pensionable earnings include base salary and target bonus.

If a named executive was a member of the EPCOR supplemental pension plan (SPP) before our inception in July 2009, the terms of the plan are the same and we have assumed all obligations from EPCOR relating to entitlements accrued under their SPP. The SRP provides a defined benefit pension that is equal to 2% of the average pensionable earnings in excess of an earnings threshold, multiplied by years of service after January 1, 2000, and has the same early retirement and indexing provisions as our defined benefit plan. All of the named executives participate in the defined benefit SRP except for Darcy Trufyn.

For new hires after July 2009, the SRP provides benefits that exceed the contribution limits of the Income Tax Act and are on a defined contribution basis. Darcy Trufyn participates in the defined contribution SRP.

An executive who chooses to withdraw from the defined contribution plan is still eligible to participate in the SRP for earnings that exceed the pension maximum or contribution limits of the Income Tax Act.

401(k) plan

Participants make voluntary, pre-tax contributions of eligible compensation, less any withholding taxes. Contributions were limited to a maximum of US$18,000 in 2015, not including up to US$6,000 in catch-up contributions for employees who were 50 or older.

Eligible compensation includes total salary and wages during the year as reported on the W-2, including pre-tax contributions to the plan. Annual compensation exceeding US$265,000, as adjusted for cost of living increases, is not included.

We match 100% of the employee's pre-tax contributions, up to a maximum of 7% of compensation. We also have the option every year to make an additional matching contribution and/or additional employer contribution on behalf of each eligible participant.

Interest credited on 401(k) accounts is the rate of return on investment options selected by the participant.

None of the named executives participate in the 401(k) plan.

OTHER BENEFITS

Other benefits support employee wellbeing and are based on the executive's scope of responsibilities.

We review the plans periodically to assess their competitiveness and whether they continue to meet our business and human resources objectives.

Health and welfare benefits

Benefit plans are designed to protect the health of employees and their dependents, and cover them in the event of death or disability. Executives participate in the same benefits program as our other full-time employees.

Executive benefit allowance

In addition to health and welfare benefits, Canadian-based executives also receive an executive benefit allowance to offset their costs. The allowance is paid biweekly.

Executive business allowance

Executives receive an annual taxable allowance to offset the cost of various business related expenses like memberships and other out-of-pocket costs associated with performing their duties.

Financial planning allowance

Brian Vaasjo is eligible to receive an annual financial planning allowance of up to $5,000. The other named executives are eligible to receive an annual financial planning allowance of up to $3,500.

Savings plan

Our savings plan allows all Canadian-based, non-unionized employees to contribute up to 100% of their base salary towards a range of investment options, including our common shares. Participation is voluntary.

We match employee contributions up to a maximum of 5% of base salary.

Jacquelyn Pylypiuk is not eligible for, and does not receive, the executive benefit allowance, the executive business allowance and the financial planning allowance.

TERMINATION AND CHANGE OF CONTROL

We have employment agreements with each named executive. See Appendix B for a description of the compensation and benefits for each named executive if their employment is terminated.

The table below shows the estimated incremental amounts that would be paid if the named executive had been terminated on December 31, 2015 because of a termination without cause or a double trigger change of control (which requires both a change of control and termination of the executive for good reason). No incremental amounts are triggered by the other termination scenarios.

Name	Length of service for calculating the severance payment	Estimated severance ($)	For Termination without Cause			For Double Trigger Change of Control		
			Estimated value of vested stock options ($)	Estimated value of vested Share Units ($)	Total including Estimated Severance ($)	Estimated value of vested stock options ($)	Estimated value of vested Share Units ($)	Total including Estimated Severance ($)
Brian Vaasjo	36 months	3,915,962	0	643,103	4,559,065	0	942,298	4,858,260
Bryan DeNeve	24 months	1,075,499	0	130,498	1,205,996	0	204,738	1,280,237
Darcy Trufyn	18 months	825,054	0	138,271	963,325	0	214,829	1,039,882
Kathryn Chisholm	21 months	878,379	0	132,158	1,010,537	0	198,214	1,076,592
Jacquelyn Pylypiuk	6 months	204,716	0	29,762	234,478	0	0	0

Notes

Jacquelyn Pylypiuk
Ms. Pylypiuk's employment contract does not contain specific severance and termination provisions for a double trigger change of control. Severance and termination provisions for a termination without cause are governed by standard Company policy.

Estimated value of vested stock options
The difference between $17.77, the closing price of our common shares on the TSX on December 31, 2015, and the respective exercise price for each options grant, times the number of outstanding unvested stock options that would vest under the termination scenario.

Estimated value of Share Units
The estimated value of PSUs is based on the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share multiplied by the number of PSUs that are unvested and pro-rated by time elapsed in the 3-year term. The values in this column represent the minimum payout value (or 50% floor) for the 2013 PSU grant. The PSU grants of 2014 and thereafter have an estimated payout value corresponding to the weighted average performance multiplier over the four performance periods, as detailed in the table below:

Grant	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total Performance Multiplier to December 31, 2015
2014	20% weight x 200% TSR result = 40%	20% weight x 0% TSR result = 0%	20% weight x 100% assumed TSR result = 20%	40% weight x 63% TSR result = 25%	85%
2015	20% weight x 0% TSR result = 0%	20% weight x 100% assumed TSR result = 20%	20% weight x 100% assumed TSR result = 20%	20% weight x 0% TSR result = 0%	40%

The estimated value of RSUs is based on the closing price of our common shares on the TSX on December 31, 2015 of $17.77 per share multiplied by the number of RSUs that are unvested and pro-rated by time elapsed in the 3-year term.

4. Other Information

Copies of the circular and our most recent AIF and annual report (which includes our management's discussion and analysis and consolidated financial statements for the year ended December 31, 2015) are available free of charge:

- go to our website (www.capitalpower.com), or
- request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta T5H 0E9.

Our disclosure documents and any reports, statements or other information we file with Canadian Securities Administrators or other similar regulatory authorities are available on SEDAR (www.sedar.com).

We want your feedback

We work hard to maintain a comprehensive investor communications program, and welcome your feedback on our website, disclosure documents and other corporate information, including our:

- annual report
- annual information form
- quarterly reports
- management proxy circular
- presentations and webcasts
- dividend history
- ethics policy
- investment overview
- corporate responsibility report
- community investment
- consultation initiatives

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W. www.capitalpower.com

The board has approved the contents of this circular and has authorized us to send it to all shareholders of record.

By order of the board,

B. Kathryn Chisholm, Q.C.
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 2, 2016

Appendix A

Board of Directors – Terms of Reference

I. INTRODUCTION

A. The Board of Directors (the "Board") has the power to manage, or supervise the management of, the business and affairs of Capital Power Corporation (the "Corporation") except as limited or restricted by the *Canada Business Corporations Act* (the "Act") and the Corporation's Articles and By-laws.

B. The Corporation hereby adopts these terms of reference for the Board, which set out the specific responsibilities to be discharged by the Board. The purpose of these terms of reference is to assist the Board in annually assessing its performance.

C. The President and Chief Executive Officer (the "CEO") and Management formulate strategies and plans and present them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then assumes a stewardship role and evaluates Management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. BOARD COMPOSITION

A. The Board will consist of a minimum of 3 and a maximum of 12 Directors.

B. A majority of the members of the Board will be independent pursuant to National Policy 58-201 *Corporate Governance Guidelines* (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NP 58-201").

C. The Board should consist of professional and competent members with an appropriate mix of skills and abilities to ensure that the Board carries out its duties and responsibilities in the most effective manner and that the Corporation meets its legal, financial and operational objectives.

D. The Directors will be elected at the annual general meeting of the Corporation each year and will hold office until their successors are duly elected or appointed.

III. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board supervises the management of the affairs of the Board by establishing committees (the "Committees") to provide more detailed review of important areas of responsibility, delegating certain of its authorities to Management, reserving certain powers to itself and making certain recommendations to the shareholders. This process includes:

i) appointing Committees and/or advisory bodies, which at a minimum shall be comprised of an Audit Committee, a Corporate Governance, Compensation and Nominating Committee (the "CGCN Committee") and a Health, Safety and Environmental Committee;

ii) delegating responsibilities to, and seeking the advice of, the Committees and establishing and periodically reviewing/approving their respective terms of reference;

iii) approving terms of reference for the Chair and Individual Directors;

iv) implementing processes to evaluate the performance of the Board, the Committees and the Directors in fulfilling their respective responsibilities;

v) on the recommendation of the CGCN Committee, implementing processes for new Director orientation and ongoing Director development;

vi) appointing the Secretary;

vii) on the recommendation of the CGCN Committee, implementing effective governance processes to fulfill its responsibility for oversight and control;

viii) making recommendations to the shareholders in the following areas:

a) on the recommendation of the CGCN Committee, director nominees, other than the nominees of EPCOR Utilities Inc.;

b) on the recommendation of the Audit Committee, the appointment of the external auditors; and

c) any special business items to be addressed by the shareholders that may be brought forward by the Board or the Corporation from time to time;

ix) delineating the authority to be retained by the Board and that to be delegated to the Committees and the CEO;

x) publishing a corporate governance statement annually, describing how each of the principles of good governance in NP 58-201 (or its successor) is put into practice;

xi) at least annually, assessing the management, development and effective performance of the Board, including reviewing and considering any amendments to be made to these terms of reference; and

xii) considering as a Board and not delegating to any Committee:

a) any submission to the shareholders of the Corporation of a question or matter requiring the approval of the shareholders;

b) the filling of a vacancy among the Directors or the Corporation's auditor or the appointment of additional Directors;

c) the issuance of securities, including shares of a series, except as authorized by the Board;

d) the declaration of dividends;

e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or the procurement or agreement to procure purchasers for any shares of the Corporation;

g) approval of the annual audited financial statements, quarterly financial statements and quarterly reports, management proxy circulars, take-over bid circulars, directors' circulars, prospectuses, annual information forms and other disclosure documents required to be approved by the directors of a corporation under securities laws, regulations or rules of any applicable stock exchange; or

h) the adoption, amendment or repeal of the By-laws.

B. Strategy and Plans

The Board has the responsibility to:

i) participate with Management in developing and adopting the Corporation's strategic planning process including:

a) providing input to Management on emerging trends and issues;

b) reviewing and approving, on an annual basis, Management's strategic plans (long term business plans), which will take into account, among other things, the opportunities and risks of the business of the Corporation; and

c) reviewing and approving, on an annual basis, the Corporation's financial objectives, plans and actions, including significant capital allocations and expenditures;

ii) approve annual capital and operating budgets which support the Corporation's ability to meet the objectives established in the strategic plan; and

iii) monitor the Corporation's progress towards its goals, and to revise and alter its direction through Management in light of changing circumstances.

C. Management and Human Resources

With the assistance of the CGCN Committee, the Board will be responsible for:

i) the appointment, termination and succession of the CEO;

ii) approving CEO compensation;

iii) approving terms of reference for the CEO;

iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;

v) providing advice and counsel to the CEO in the execution of the CEO's duties;

vi) approving compensation and benefits for directors;

vii) approving decisions relating to senior Management, including the:

   a) appointment and termination of executive officers; and

   b) compensation and benefits for executive officers;

viii) satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation;

ix) ensuring succession planning programs are in place, including programs to train, develop and monitor senior Management;

x) approving certain matters relating to all employees, including:

   a) the overarching compensation policy/program for employees;

   b) new benefit programs or material changes to existing programs; and

   c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs;

xi) satisfying itself as to the oversight and governance of, and approving all material amendments to, the Corporation's pension plans;

xii) ensuring there are adequate procedures for the Board to be apprised on a timely basis of concerns relating to unethical behavior, fraudulent activities or violation of the Corporation's policies.

D. Business and Risk Management

The Board has the responsibility to:

i) with the assistance of the Audit Committee, monitor corporate financial performance against the operating and capital plans, including assessing operating results to evaluate whether the Corporation's business is being properly managed and meeting its objectives;

ii) ensure Management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;

iii) receive, at least annually, reports from Management and, where applicable, from the Committees, on matters relating to, among others, ethical conduct, environmental management, employee health and safety, human rights, and related party transactions;

iv) understanding principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that Management ensures that systems are in place to address the risks identified; and

v) with the assistance of the Audit Committee, assess and monitor management control systems, including evaluating and assessing information provided by Management and others (e.g., internal and external auditors) about the effectiveness of management control systems.

E. Financial and Corporate Issues

The Board has the responsibility to:

i) with the assistance of the Audit Committee, at least annually, provide oversight of a review to ensure the implementation and integrity of the Corporation's internal control and management information systems;

ii) with the assistance of the Audit Committee, monitor operational and financial results;

iii) on the recommendation of the Audit Committee, approve annual and quarterly financial statements, and approve the release thereof by Management;

iv) declare dividends from time to time;

v) approve debt financing, banking resolutions and significant changes in banking relationships;

vi) review coverage, deductibles and key issues regarding corporate insurance policies;

vii) approve commitments that may have a material impact on the Corporation; and

viii) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

i) ensure the Corporation has in place effective communication processes with shareholders and major stakeholders;

ii) with the assistance of the Audit Committee, ensure that the financial performance of the Corporation is adequately reported to the shareholders, other security holders and regulators on a timely and regular basis;

iii) on the recommendation of the Audit Committee, ensure the financial results are reported fairly and in accordance with generally accepted accounting principles; and

iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

i) with the assistance of the CGCN Committee (where applicable), approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;

ii) with the assistance of the CGCN Committee, direct Management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;

iii) on recommendation from the relevant Committee, review and approve significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment);

iv) with the assistance of the CGCN Committee, develop and adopt corporate governance principles and guidelines for the Corporation and review such corporate governance guidelines annually; and

v) with the assistance of the CGCN Committee, adopt and monitor a written code of business conduct and ethics applicable to all directors, officers and employees of the Corporation addressing:

a) conflicts of interest and the procedures to be established and monitored for identifying and dealing with conflicts of interest;

b) protection and proper use of corporate assets and opportunities;

c) confidentiality of corporate information;

d) fair dealing with the Corporation’s security holders, customers, suppliers, competitors and employees;

e) compliance with applicable laws, rules and regulations; and

f) reporting of any illegal or unethical behaviour.

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for directing Management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. The Act includes the following as legal requirements for Directors:

i) to act honestly and in good faith with a view to the best interests of the Corporation;

ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situations; and

iii) to act in accordance with the obligations contained in the Act, and any other relevant legislation, regulations and policies, and the Corporation's Articles and By-laws.

V. MEETINGS

Meet at least four times per year and, wherever feasible, receive meeting materials at least five (5) business days in advance of meetings and review meeting materials prior to attending each meeting.

Appendix B

Employment Contracts – Termination and Change of Control Benefits

The following table summarizes the treatment of the named executives’ compensation and benefits if they are no longer employed by Capital Power. *Change of control* and *termination without cause/resignation* are based on adverse changes to the terms of employment.

Jacquelyn Pylypiuk’s employment contract does not contain specific severance and termination provisions for a double trigger change of control. Severance and termination provisions for a termination without cause are governed by standard Company policy.

	Resignation	Retirement/Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
Salary and benefits	All salary and benefits programs end.					
STIP	Annual STIP payment is forfeited.	Annual STIP payment is paid at target on a pro rata basis.			Annual STIP payment is not paid.	Annual STIP payment is paid at target and included in severance Not applicable to Jacquelyn Pylypiuk.
Stock options	All unvested options under the 2009 plan and the LTI plan are forfeited. Vested options granted under the 2009 plan expire on the original expiry date or 90 days after termination of employment, whichever is earlier. Vested options granted under the LTI plan expire on the original expiry date or 30 days after termination of employment, whichever is earlier.	All unvested options under the 2009 plan are forfeited. Vested options expire on the original expiry date or 12 months after termination of employment, whichever is earlier. Unvested options under the LTI plan continue to vest and can be exercised for 12 months following termination of employment before they expire. Vested options expire on the original expiry date or 12 months after the date of termination, whichever is earlier.		All unvested options under the 2009 plan will vest and expire on the original expiry date or 90 days after termination of employment, whichever is earlier. Except as noted below for Brian Vaasjo and Bryan DeNeve, all unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier. For Brian Vaasjo and Bryan DeNeve, in respect of options granted under the LTI plan on or after January 1, 2015, all unvested options will continue to vest and can be exercised for 12 months following termination of employment before they expire.	All unvested and vested options under the 2009 plan are forfeited. All unvested and vested options under the LTI plan are forfeited.	All unvested options under the 2009 plan will vest and expire on the original expiry date or 90 days after termination of employment, whichever is earlier. All unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier. Not applicable to Jacquelyn Pylypiuk.
Share Units	All PSUs are forfeited. For Jacquelyn Pylypiuk, all RSUs are also forfeited.	Vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. For Jacquelyn Pylypiuk, all RSUs are pro-rated to the date of termination. Payouts occur within 90 days of the date of termination.	Vesting of PSUs is pro-rated to the date of termination and based on target performance. Payouts occur within 90 days of the date of termination. For Jacquelyn Pylypiuk, all RSUs are pro-rated to the date of termination. Payouts occur within 90 days of the date of termination.	Vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. For Jacquelyn Pylypiuk, all RSUs are pro-rated to the date of termination. Payouts occur within 90 days of the date of termination.	All PSUs are forfeited. For Jacquelyn Pylypiuk, all RSUs are also forfeited.	All unvested PSUs vest immediately and pay out based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. Not applicable to Jacquelyn Pylypiuk.

	Resignation	Retirement/Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
Pension **LAPP/DB SRP**	Vested pension is paid as a commuted value or deferred benefit.	Vested pension is paid as a deferred or immediate benefit or commuted value.	Vested pension is paid as a commuted value or deferred (if less than 55) or immediate benefit (if 55 or older).		Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older). Vested benefit under the SRP may be forfeited at Capital Power's sole discretion.	Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older).
DC RPP/SRP	Vested DC account balance as lump sum or annuity. No additional SRP accrual contributions made in year of termination if termination date is prior to Dec 31.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP accrued. Vested pension may be forfeited at the Company's sole discretion.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued. Not applicable to Jacquelyn Pylypiuk.
Severance *(Brian Vaasjo)*	Not applicable.			Severance is provided representing a minimum of 24 months plus one month for each year of service with Capital Power to a maximum of 36 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 24 months each of salary, STIP at target, annual company benefits, pension contributions and annual business allowance. The severance notice period is capped at 36 months.
Severance *(Darcy Trufyn and Kathryn Chisholm)*	Not applicable.			Severance is provided representing a total of 12 months plus 1/2 a month for each year of service with EPCOR, plus one month for each year of service with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 12 months plus 1/2 month of each year of service with EPCOR, plus one month for each year with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.

	Resignation	Retirement/Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
Severance (*Bryan DeNeve*)	Not applicable.			Severance is provided representing a total of 12 months plus 1 month for each year of service with EPCOR, plus one month for each year of service with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.	Not applicable.	Severance is provided representing a total of 12 months plus 1 month of each year of service with EPCOR, plus one month for each year with Capital Power to a maximum of 24 months each of salary, STIP at target, annual company benefits, pension contributions, and annual business allowance.
Severance (Jacquelyn Pylypiuk)	Not applicable.			Severance is provided representing a total of 24 weeks plus 3.5 weeks per year of service with Capital Power to a maximum of 104 weeks each of salary, STIP at target, annual company benefits and pension contributions.	Not applicable.	Not applicable.

Appendix C

Special Voting Shares

(a) Definitions

For the purposes of the rights, privileges, restrictions and conditions of the Special Voting Shares:

(i) "Exchangeable LP Units" means the exchangeable limited partnership units of Capital Power L.P. ("Capital Power LP") exchangeable for Common Shares pursuant to the limited partnership agreement of Capital Power LP, as it may be amended from time to time (the "Limited Partnership Agreement") and the exchange agreement in respect of the exchangeable limited partnership units of Capital Power LP, as it may be amended from time to time (the "Exchange Agreement").

(ii) "LP Common Shares" means, at a time and without duplication, (x) Common Shares owned by persons that own Exchangeable LP Units or by other persons who, for purposes of the Income Tax Act (Canada) do not deal at arm's length with an owner of Exchangeable LP Units; and (y) Common Shares whose voting rights are controlled by persons described in (x), above.

(iii) "Maximum Exchange Number" means, at a time, the number that is equal to the lesser of: (x) the number of Common Shares for which the Exchangeable LP Units outstanding at that time are then exchangeable; and (y) the largest whole number that, when added to the aggregate number of votes attached to all of the LP Common Shares outstanding at that time, does not exceed 49% of the aggregate number of votes attached to all of the Common Shares and the Special Voting Shares outstanding at that time.

(iv) "Vote Per Share" means, at any time, the amount that is equal to the quotient, rounded down to the nearest 0.0001, obtained when: (x) the Maximum Exchange Number at that time is divided by (y) the number of Special Voting Shares outstanding at that time.

(b) Voting Rights

Except as otherwise provided in these Articles or required by law, each Special Voting Share shall entitle the holder or holders thereof to that number of votes on a ballot vote at any meeting of shareholders of the Corporation, except meetings at which or in respect of matters on which only holders of another class of shares are entitled to vote separately as a class, that is equal to the Vote Per Share. Except as otherwise provided in these Articles or required by law, the holders of Special Voting Shares will vote together with the holders of Common Shares as a single class.

(c) Dividends

Except as otherwise provided in these Articles, the holders of Special Voting Shares, as such, are not entitled to receive dividends or other distributions except for such dividends payable in Special Voting Shares as may be declared by the Corporation's Board of Directors from time to time.

(d) Distribution Rights

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, holders of the Special Voting Shares shall be entitled to receive, subject to the rights of the holders of Preference Shares, on a *pari passu* basis with the holder of the Special Limited Voting Share and in priority to the holders of Common Shares, an amount per Special Voting Share equal to the Redemption Amount (as defined below) and no more.

(e) Right to Elect Directors

(i) The holders of the Special Voting Shares shall have the exclusive right, voting separately as a class, at any meeting of shareholders of the Corporation at which Directors are to be elected, (x) provided that as at the record date established for the purpose of determining shareholders entitled to vote at the meeting, the holders of Special Voting Shares collectively beneficially own an aggregate number of Exchangeable LP Units and Common Shares that represents not less than 20% of the aggregate number of outstanding Common Shares and Common Shares issuable upon exchange of outstanding Exchangeable LP Units, to nominate and elect four Directors to the Corporation's Board of Directors, and (y) provided that as at the record date established for the purpose of determining shareholders entitled to vote at the meeting, the holders of Special Voting Shares collectively beneficially own an aggregate number of Exchangeable LP Units and Common Shares that represents less than 20% but not less than 10% of the aggregate number of outstanding Common Shares and Common Shares issuable upon exchange of outstanding Exchangeable LP Units, to nominate and elect two Directors to the Corporation's Board of Directors.

(ii) Only the holders of Special Voting Shares will be entitled to remove Directors elected by the holders of Special Voting Shares. The holders of Special Voting Shares will be entitled at any time, subject to applicable law, to remove any one or more of the Directors elected by the holders of Special Voting Shares and to nominate and elect a successor Director who will, promptly upon the removal of the existing Director, be appointed to the Board of Directors as a Director to replace the individual previously elected.

(iii) If as a result of death, disability, retirement, resignation or otherwise but other than as a result of a removal of a Director pursuant to Section (e)(ii), there shall exist or occur a vacancy on the Board of Directors with respect to a Director elected or entitled to be elected by the holders of Special Voting Shares, the resulting vacancy shall be filled by an individual who is nominated and elected by the holders of Special Voting Shares.

(iv) The matters provided for in Sections (e)(i), (ii) and (iii) shall require approval by ordinary resolution approved by a majority of votes cast by holders of Special Voting Shares voting separately as a class at a meeting of the holders of the Special Voting Shares or by a resolution in writing signed by all holders of Special Voting Shares entitled to vote on that resolution, and for these purposes each Special Voting Share shall entitle the holder to one vote.

(v) In the event that the holders of the Special Voting Shares collectively beneficially own an aggregate number of Exchangeable LP Units and Common Shares that represents less than 10% of the aggregate number of outstanding Common Shares and Common Shares issuable upon exchange of Exchangeable LP Units as at the record date established for the purpose of determining shareholders entitled to vote at a meeting of shareholders of the Corporation at which Directors are to be elected, each Special Voting Share shall entitle the holder or holders thereof to that number of votes on a valid vote at the meeting of shareholders of the Corporation that is equal to the Vote Per Share, and the holders of Special Voting Shares will vote together with the holders of Common Shares as a single class for the election of directors.

(vi) Except as otherwise provided in this Section (e), the holders of the Special Voting Shares shall not, as such, have the right to vote, either together with the holders of Common Shares as a single class or otherwise, for the election of Directors.

(f) Redemption

(i) *Redemption* – Subject to applicable law, the Corporation shall redeem Special Voting Shares if a holder of Exchangeable LP Units exchanges some or all of its Exchangeable LP Units pursuant to the Limited Partnership Agreement and the Exchange Agreement or if Exchangeable LP Units are redeemed or repurchased. The number of Special Voting Shares that the Corporation shall redeem will be equal to the number of Common Shares issuable upon the exchange of such Exchangeable LP Units owned by such holder of Exchangeable LP Units. The Special Voting Shares will be redeemed at a price per share equal to $0.000001 (the "Redemption Amount").

(ii) *Redemption Notice* – In connection with the redemption referred to in section (f)(i), the Corporation shall either send to the holder of the Special Voting Shares to be redeemed a notice in writing (the "Redemption Notice"), which shall be sent together with the Exchange Consideration (as defined in the Exchange Agreement) or redemption or repurchase proceeds, as applicable, or obtain the written acknowledgement of the holder of such redemption at the time that the "Exchange Notice" contemplated by the Exchange Agreement is delivered by such holder. Accidental failure or omission to give the Redemption Notice to one or more holders shall not affect the validity or effectiveness of any redemption, but if such failure or omission is discovered, a Redemption Notice shall be given forthwith to such holder or holders and shall have the same force and effect as if given in due time. The Redemption Notice or acknowledgement referred to above shall set out (w) the aggregate number of redeemed Special Voting Shares, as applicable; (x) the number of redeemed Special Voting Shares, as applicable, held by the person to whom it is addressed; (y) the aggregate Redemption Amount and the manner in which it is calculated; and (z) the place or places in Canada at which holders of Special Voting Shares may present and surrender the certificate or certificates, if any, representing the redeemed Special Voting Shares.

(iii) *Effectiveness of Redemption* – The redemption and cancellation of the redeemed shares will be effective immediately after the delivery of the Exchange Consideration or redemption or repurchase proceeds, as applicable, in accordance with section (f)(ii) (the "Effective Time"). At the Effective Time, the Corporation shall pay or cause to be paid to or to the order of the holders of the redeemed Special Voting Shares the Redemption Amount of such shares on presentation and surrender, at the registered office of the Corporation or any other place or places in Canada specified in the Redemption Notice, of the certificate or certificates, if any, representing the redeemed Special Voting Shares. Payment in respect of the redeemed Special Voting Shares shall be made by cheque payable to the respective holders thereof in lawful money of Canada at any branch in Canada of the

Corporation’s bankers, by wire transfer or electronic payment to an account for which the holder has provided applicable particulars to the Corporation, or in another manner agreed by the parties.

From and after the Effective Time, the holders of the redeemed Special Voting Shares shall cease to be entitled to exercise any of their rights as shareholders in respect thereof other than (i) the right to receive the Redemption Amount, and (ii) the right to vote at a subsequent meeting of shareholders for which a record date for the determination of holders of Special Voting Shares, or Common Shares and Special Voting Shares, as the case may be, entitled to vote at such meeting has occurred prior to the Effective Time.

(g) Other Agreements

Concurrently with the issuance of any Exchangeable LP Units (and related Special Voting Shares, if any), the Corporation may enter into such agreements, including liquidity or exchange agreements, voting agreements, securityholder agreements and exchangeable security support agreements, as may be necessary or desirable to properly give effect to the terms of the Exchangeable LP Units, including to provide for the voting of Special Voting Shares, the terms and conditions of transfer and any transfer restrictions or limitations, the exercise, exchange or conversion of such Exchangeable LP Units and the exercise, exchange or conversion of such Exchangeable LP Units in the event of an offer to acquire , directly or indirectly, outstanding Common Shares if, as of the date of such offer to acquire, the Common Shares that are subject to such offer to acquire (an "Offer"), together with the offeror’s Common Shares, constitute in the aggregate 20% or more of all outstanding Common Shares at the date of the Offer.

(h) Subdivision, Consolidation, Etc.

None of the Special Voting Shares will be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the Common Shares are subdivided, consolidated, reclassified or otherwise changed in the same proportion or the same manner.

(i) Modification

The rights, privileges, restrictions and conditions of the Special Voting Shares will not be added to, changed or removed unless the addition, change or removal is first approved by the separate affirmative vote of not less than two-thirds of the votes cast at a meeting of the holders of the Special Voting Shares or by a resolution in writing signed by all holders of Special Voting Shares entitled to vote on that resolution, and for these purposes each Special Voting Share shall entitle the holder to one vote.

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